

INDEPENDENT PROCESS REVIEW OF CITY OF MILWAUKEE INCLUSION EFFORTS

*Including City Departments,
the Housing Authority of the City of Milwaukee and
the Redevelopment Authority of the City of Milwaukee*

Findings and Recommendations

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***Disclaimer:** This document summarizes information provided by stakeholders regarding the City of Milwaukee's Inclusion Program, identifying key issues for analysis. AECOM has not verified its contents, as it compiles opinions expressed by numerous city staff, business owners and others. Additionally, data was provided to AECOM but not audited or verified for accuracy or completeness. No policy or program decisions should be made solely on the basis of information included in this document.*

Executive Summary

This report was commissioned by the City of Milwaukee to examine Milwaukee's business inclusion program and provide recommended actions for improving its ability to serve small businesses. Additionally, the City seeks to identify legally enforceable affirmative action strategies to increase the inclusion of minorities and women in contracting opportunities and identify potential changes to the City's Equal Opportunity laws that may contribute to the support and growth of minority and women-owned small businesses. Business inclusion practices and programs address long-standing issues raised by historically disadvantaged individuals and small business owners seeking to contract with government. Finally, the study addresses the implementation of the City's Resident Preference Program (RPP), which specifies labor force characteristics for certain City-funded construction projects.

The City of Milwaukee strives to include small businesses in all aspects of its contracting through the efforts of the Small Business Enterprise (SBE) program. The SBE program is a race- and gender-neutral program established by Chapter 370 of the City of Milwaukee Code of Ordinances to provide contract opportunities to small firms. The program was created to assist and protect the interests of small business owners deemed disadvantaged under the ordinance and address small business concerns in order to promote and encourage full and open competition in the City of Milwaukee.

The City of Milwaukee Inclusion Practices Evaluation highlights areas where Milwaukee's practices are successful and identifies opportunities for improvements. The report details four main tasks:

1. **A Review of the City's Existing Practices to Meet Inclusion Goals.** This task includes a review of the legal framework in which inclusion practices are undertaken, an overview of the City's contracting structure as it applies to small business enterprises, and a summary of existing practices to meet inclusion targets.
2. **Stakeholder Interviews and Data Analysis.** Extensive stakeholder interviews and focus groups were conducted to help characterize issues and opportunities for the inclusion program. Interviews were held with city staff members from all departments and the Housing Authority, as well as with external stakeholders from community organizations. Small focus groups were held with business owners, and the City's contracting data was evaluated.
3. **Peer City Investigation & Analysis.** For this task, peer communities were identified and extensive interviews were conducted with municipal staff responsible for implementing inclusion programs. The City of Milwaukee's practices were compared with national best practices to identify areas for improving the City's service to small businesses.
4. **Recommended Actions to Implement a Model Inclusion Program.** Based on the above analysis, recommended actions were provided to improve the effectiveness, focus, organization, and monitoring of the City of Milwaukee's inclusion activities.

Key Findings

Several important findings emerged from the review of existing practices, interviews with stakeholders, data analysis, and review of peer cities, as reflected below. The report provides a detailed review of the findings and highlights best practices being implemented in peer cities. The findings also guided the development of recommended actions for implementing a model inclusion program.

Among the key findings:

1. **The City has had notable successes with innovative programs to serve small businesses.** Key initiatives include the Business Capacity Building Program, the revolving loan program and the annual Small Business Week and Small Business Sustainability Conference. These efforts by Office of Small Business Development (OBSD) stand with innovations from peer cities in finding effective means to help small businesses achieve success.
2. **Inconsistent processes and procedures are used across city departments.** Procurement processes and procedures vary widely by department. This was demonstrated in the review of the department procurement processes, collection and analysis of data, and internal and external stakeholder interviews. Without standardized policies and procedures, staff across departments are required to make case-by-case decisions regarding procurement matters. This creates confusion for small business owners trying to contract with the City, limits transparency, and prevents effective monitoring and evaluation. Peer cities have addressed these issues by centralizing procurement and certification activities and implementing standardized monitoring requirements. (See *Recommended Actions #1, #2 and #3 on p. 5.*)
3. **A limited number of small businesses receive SBE contracts.** Many departments work with only a small handful of businesses with which they have developed strong relationships. Small businesses that do not have a history of working with the City find it difficult to identify the best way to build relationships and conduct business with the City. In addition, the same businesses continue to win city work without any demonstrated intention to build capacity. Several peer cities have addressed these issues by expanding the pool of contracts available to small businesses. These cities have created small business preference programs, which earmark a pool of smaller-dollar contracts for which only SBEs can compete. In addition, peer cities have developed innovative small business capacity-building programs, including mentoring and phased graduation programs that encourage growth and help make room for new small businesses to win contracts. (See *Recommended Action #4, #5 and #6 on p. 5.*)
4. **The City has a perceived image of making it difficult to win contracts and conduct business.** Small businesses and the community at large perceive the City as bureaucratic, despite the City's continuous efforts to improve the inclusion program. Because each department follows different procurement procedures, it leads to confusion among businesses seeking to contract with the City. The City also currently has very limited staff capacity to conduct outreach to the business community and provide ongoing customer service. Peer cities have built strong relationships with the small business community by organizing their procurement and certification activities through one centralized department to make it easier to navigate. They also partner with community organizations to help conduct outreach activities and provide additional small business resources. To do this, peer cities have fully staffed their inclusion programs to increase capacity for outreach, customer service, and program implementation. (See *Recommended Action #1 and #7 on p. 5 and 6.*)
5. **Monitoring and reporting processes are not consistent across departments.** Inconsistent monitoring efforts prevent the City from accurately capturing the information necessary to identify whether the inclusion program is achieving the City's goals. All peer cities reviewed by this study have centralized and standardized their monitoring activities and implemented tracking software to create a streamlined system for tracking contracts and labor requirements. Many of these cities monitor in such a way as to undertake routinely scheduled disparity studies to inform decisions about the effectiveness of their programs. (See *Recommended Action #3 on p. 5.*)
6. **Milwaukee staffs and budgets inclusion programming at a lower level than peer cities.** As noted in the Peer City Investigation, the City of Milwaukee staffs and budgets inclusion programming at a lower level than Chicago, Cleveland, Denver and Kansas City. Milwaukee's peer cities have better outcomes, with higher rates of certifications and a larger proportion of expenditures awarded to SBEs. If Milwaukee is to adopt best practices in its inclusion programs, it may be necessary to reconsider funding allocations for these activities.

Recommended Actions to Implement a Model Inclusion Program

Based on an extensive review of the City of Milwaukee's inclusion activities and best practices from peer cities, the report highlights the following eight recommended actions that, if implemented, would help the City achieve a model inclusion program. All of these recommendations are intended to help position the City to better meet the needs of the small business community.

1. Bring City Contracting Under One Roof. By implementing centralized contracting, all city departments could request a contract for goods or services, and a single department would ultimately be responsible for development, letting, awarding, administration and monitoring of that contract. As a result, all city departments would request contracts from one contracting authority. As an alternative, the City could keep contracting authority in various departments while creating a centralized contract monitoring and compliance office to oversee these activities and serve as a point of contact for small businesses. *(See page 51 for more detail.)*

2. Create or Join a Unified Certification Program. The City of Milwaukee should reconsider being a part of a Unified Certification Program (UCP) or outsourcing small business certification. By outsourcing the small business certification component, the City would free up considerable time and resources from the Office of Small Business Development, which could be used more effectively to focus on relationship building with small businesses and contract compliance. An alternative approach would be to implement a pre-certification program administered by OSBD. Through such a program, businesses interested in becoming certified SBEs would receive training and guidance in certification requirements and be better prepared to enter into contracts with the City. *(See page 52 for more detail.)*

3. Monitor for Continuous Improvement. The City of Milwaukee should have all contracts monitored through B2G Now software, and all employment labor requirements tracked and monitored by the LCPTTracker software. This would create a paperless, streamlined system for monitoring and tracking contracts and employment labor requirements. By implementing this recommendation, the City can identify opportunities for ongoing improvement, as well as collect accurate data that can inform future studies. *(See page 54 for more detail.)*

4. Create a Small Business Preference Program. The City of Milwaukee can develop a program that levels the playing field for small business firms. Through the development of a Small Business Preference Program, contracts below a pre-determined dollar threshold would only be available to certified SBEs. This would create a pool of contracts for small businesses that would more likely be within their capacity to deliver. It would help a broader range of small businesses successfully pursue city contracts and improve the perception of the program's effectiveness in the small business community. *(See page 55 for more detail.)*

5. Create a Business Capacity-Building Initiative with a Phased Graduation Program. The City can develop a program to incentivize business growth and professionalism by phasing in graduation from the small business certification program. This would be most powerful if implemented in conjunction with a targeted business capacity-building initiative, which would include the mentor-protégé program described in *Action 6*. A variation of this program could include extending eligibility for graduating businesses if they become a mentor in the mentor-protégé program. If implemented in conjunction with a targeted small business capacity building program, this recommendation would encourage small businesses to diversify their client bases and become more sustainable. *(See page 56 for more detail.)*

6. Develop a Mentor-Protégé Program. As a key component of developing an overarching Small Business Capacity Building program, the City of Milwaukee should develop a Mentor-Protégé program. Both internal and external stakeholders repeatedly stressed the need for business capacity building support. A mentorship program would connect small businesses with established business partners in a formal relationship, in which the protégé firm can learn about established business practices and take advantage of professional connections. *(See page 57 for more detail.)*

7. Enhance Partnerships and Collaborations. As part of a Small Business Capacity Building program, the City should develop new partnerships with other agencies and organizations that can support small businesses. This would increase capacity for outreach to the business community and provide additional resources to support small businesses. More specifically, in order to strengthen the City's ability to increase participation from minority- and women-owned businesses under the current race-neutral program, the City should actively and intentionally seek to partner with organizations that focus on minority and women-owned businesses. This strategy would help increase participation from historically excluded individuals while allowing the City to remain within the confines of its current race-neutral structure. *(See page 58 for more detail.)*

8. Evaluate the City's Resident Preference Program in More Detail. The Resident Preference Program faces many challenges, and stakeholders report numerous frustrations with this program. The City should implement a detailed evaluation of its effectiveness. The peer city analysis showed that other cities report facing similar issues with effective implementation, and no program was considered to be an effective model for Milwaukee at this time. *(See page 59 for more detail.)*

Ultimately, it is hoped that the City of Milwaukee will use this evaluation to make short-term changes in its inclusion program and guide long-term evaluation of program policies in the City's efforts to become ever more responsive to the needs of small businesses and the citizens of Milwaukee.

Introduction

The City of Milwaukee strives to include small businesses in all aspects of city contracting through its inclusion program. The program encompasses a variety of policies and practices to help provide equal opportunities for small businesses to be engaged in contracts with the government. The practices and programs are intended to “level the playing field” for small businesses competing in a market in which they have often been excluded.

The City of Milwaukee contracted with AECOM and P3 Development Group to examine its small business inclusion program and recommend actions for improving their effectiveness and ability to serve small businesses and the citizens of Milwaukee. Additionally, the City seeks to identify legally-enforceable affirmative action strategies to increase the inclusion of minorities and women in contracting opportunities and identify potential changes to the City’s Equal Opportunity laws that may contribute to the support and growth of minority and women-owned small businesses. This is particularly important as the City of Milwaukee is a “minority-majority” city. Of those individuals who report heritage of one race in Milwaukee, 45% are Caucasian, 40% African American, 4% are Asian, and 1% are American Indian. In addition, 17% identify themselves as Hispanic. According to 2007 economic census data, however, only 30% of small businesses are owned by racial minorities, 36% by women, and 4% by Hispanics.

The Milwaukee Inclusion Evaluation features four distinct tasks:

1. **A Review of the City’s Existing Practices to Meet Inclusion Goals.** This task included a review of the legal framework in which inclusion practices are undertaken; an overview of the City’s contracting structure as it applies to small business enterprises; and a summary of existing practices to meet inclusion targets.
2. **Stakeholder Interviews and Data Analysis.** Extensive stakeholder interviews and focus groups were conducted to help characterize issues and opportunities for the inclusion program. Interviews were held with city staff members from all departments and the Housing Authority, as well as with external stakeholders from community organizations. Small focus groups were held with business owners, and the City’s contracting data was evaluated.
3. **Best Practices Analysis.** For this task, peer communities were identified and extensive interviews were conducted with municipal staff responsible for implementing inclusion programs. The City of Milwaukee’s practices were compared with national best practices to identify areas for improving the City’s service to small businesses.
4. **Recommended Actions to Implement a Model Inclusion Program.** Based on the above analysis, recommended actions were provided to improve the effectiveness, focus, organization, and monitoring of the City of Milwaukee’s inclusion activities.

The City of Milwaukee Inclusion Practices Evaluation is intended to provide a reasonable comparison of the City’s existing practices to those of successful peer communities. It highlights the areas where Milwaukee’s practices are successful so that they may be strengthened, and it identifies opportunities for improvements in areas where peer communities appear to be having more success.

Limitations of the Analysis

This evaluation is not a disparity study. The data analyses are descriptive and are not intended to support any analysis of discrimination. Similarly, this evaluation is not an audit; qualitative and quantitative information was provided in many cases by stakeholders and not independently verified. Furthermore, data was not analyzed for completeness or accuracy. The data analysis is intended to shed light on the perceptions expressed by numerous stakeholders and is not comprehensive nor should it be used as a basis for comparison between city departments or peer cities. Finally, although this evaluation includes a description of the legal framework in which the City conducts its inclusion program, it begins with the assumption that the City's existing ordinances are legally defensible and provides no opinion to the contrary.

The City of Milwaukee Inclusion Practices Evaluation began during the Autumn of 2014 and completed in Autumn 2015.

Milwaukee Inclusion Program Framework

Program Overview

The City of Milwaukee's primary inclusion activities related to small business contracting are managed through the Small Business Enterprise (SBE) program. The SBE program is a race-neutral program established by Chapter 370 of the City of Milwaukee Code of Ordinances in 2012 to provide contract opportunities to small firms. The City instituted a race- and gender-neutral Disadvantaged Business Enterprise program in 1989. After completing a disparity study in 2010, the City transitioned to a race- and gender-conscious Minority, Woman-Owned and Small Business Enterprise (MWSBE) program in 2012. The following year, the current race- and gender-neutral SBE program was put in place.

The SBE program provides a mechanism for small businesses to compete against others that are comparably positioned in their industries and markets. The program was created to assist and protect the interests of small business owners deemed disadvantaged and to address small business concerns in order to promote and encourage full and open competition in the City of Milwaukee. The City's Office of Small Business Development is the primary manager of City inclusion efforts relative to supporting small businesses.

A separate initiative, the Resident Preference Program (RPP) is intended to address the needs of unemployed and underemployed City residents in Department of Public Works contracts, specifying that 40% of contract labor hours are expended on such employees.

Office Structure

The City of Milwaukee created the OSBD (Office of Small Business Development) and empowered it to administer the Small Business Enterprise program. The OSBD is section of the Business Operations Division (BOD) of the Department of Administration (DOA)¹ and the OSBD Manager reports directly to the City Purchasing Director. OSBD is responsible for a number of tasks in support of the implementation of the Small Business Enterprise (SBE) program.² These tasks include but are not limited to:

1. Establishing criteria and procedures for reviewing contract performance and compliance;
2. Developing appropriate rules, procedures and regulations for assuring participation of small business enterprises in city contracts;
3. Developing and implementing procedures for certification of small business enterprises;
4. Providing appropriate management assistance and direction to small business enterprises so as to maximize their participation in contracts.

In addition, the OSBD is responsible for providing overall support to certified small business enterprises³ to ensure their success in participation on City of Milwaukee contracts and monitoring and reporting compliance on individual contracts to ensure goals are met and small business enterprise participation is legally utilized.⁴

The OSBD is led by a manager, who is appointed by the mayor and confirmed by the City of Milwaukee Common Council.⁵ The office manages its program with a staff of 4.0 FTE and an annual budget of \$300,000. As reflected in the *Peer City Investigation & Analysis* section, Milwaukee's program is implemented with far fewer staff and a significantly lower budget than its peer cities.

Participation in Small Business Enterprise Program

Participation in the SBE program is available exclusively to those businesses that meet the program standards without regard to the race, ethnicity, or gender of the owner. In order to become certified as a small business enterprise by the OSBD, a small business must meet the requirements outlined in Chapter 370-25 of the City of Milwaukee Code of Ordinances:

¹ MGO 370-3

² MGO 370-3(1) – (4)

³ MGO 370-23

⁴ MGO 370-5

⁵ MGO 370-3

The small business enterprise must:⁶

1. Be a U.S. based business which is independently owned, operated and controlled;
2. Meet the size standards of the United States Small Business Administration (SBA);
3. Demonstrate capacity to perform independently (or as a sub-contractor);
4. Not be owned, operated or controlled by individuals or groups of individuals who own, operate and control a large business in the same category of work;
5. Operational for at least one year;
6. Ensure day-to-day critical operations are under the control of the owner;
7. Ensure owner or owners are citizens or permanent, legal residents of the United States;
8. Ensure the business is at least 51% owned, operated and controlled by one or more individuals at a disadvantage.

Disadvantage may be claimed with respect to business location, education, low employment or employability, economic situation (lack of capital or credit access), and notably – “social disadvantage.” Social disadvantage⁷ is defined in such a way as to reasonably include race, gender and other typically protected class categories.⁸

Benefits of Participation

Once certified, businesses are placed into a database of certified firms that receive information regarding partnership and contracting opportunities with the City of Milwaukee. As a certified firm, they receive additional points or credits when competing in the procurement process. However, despite being certified, a small business owner is still responsible for building relationships with city personnel, as well as with prime contractors that may seek them out and/or provide them with procurement opportunities. In addition to benefits specific to individual contracting opportunities, certified firms are provided access to the full range of services, support and guidance offered through the OSBD.

Challenges of a Race-Neutral Program

Historically, municipalities have developed and implemented inclusion programs to specifically give minority- and women-owned businesses an opportunity to compete for government contracting dollars. Such programs were particularly common in the public construction industry and played an important role in diversifying the industry.

The City of Milwaukee, however, currently operates a race-neutral program, as mandated by the adoption of Ordinance 370 in 2012. This creates challenges if the City intends to direct its efforts toward increasing the number of minority or women-owned small business owners. While Milwaukee is a “minority-majority” city, only 30% of the city’s businesses are owned by minorities, 36% by women, and 4% by Hispanics, according to 2007 economic census data. Like many other cities that have instituted race-neutral programs, the City must seek to identify strategies to increase the number of women and minority small businesses on City of Milwaukee contracts while remaining within the legal confines of the current race-neutral program.

Participation Goals

In order to encourage and support participation in the SBE program, the City of Milwaukee established within Chapter 370, specific participation goals for each contracting department. The ordinance sets forth annual required levels of participation of small business enterprises by the following contract types:⁹

1. Construction 25%
2. Purchase of Goods and Services 25%
3. Purchase of Professional Services 18%

The goals set forth in the ordinance are enforced and monitored through the Office of Small Business Development (OSBD).¹⁰

⁶ MGO 370-5(1)-(8).

⁷ 370-1(1)-(5)

⁸ MGO 370-1(4)

⁹ MGO 370-5(1)(a)-(c)

¹⁰ MGO 370-5

In addition to monitoring inclusion goals for each city contracting department, the OSBD is tasked with certifying small business endeavors per the requirements outlined in the ordinance,¹¹ as well as providing resources, guidance and support to certified small businesses seeking to do business with the City of Milwaukee.¹²

Innovations

The City of Milwaukee has made several noteworthy strides in seeking to improve its service to the small business community and meet the inclusion goals outlined above. Innovations include:

1. City of Milwaukee Business Capacity Building Program

The City of Milwaukee's Business Capacity Building Program (BCBP) was developed to increase the growth and sustainability of emerging small businesses. BCBP assists contracted emerging business enterprise (EBE) firms with management skills, business development support, and access to capital resources. The program surrounds selected SBE business owners with business and professional support provided by experienced technical advisors. The curriculum is relevant and focused on growth-orientated small businesses by providing a combination of services that can be tailored to each participating business. Program components include:

- Business, marketing, financial and management training
- Individualized business coaching
- Individualized personal and leadership coaching
- Peer accountability groups
- Connections to local business assistance resources
- Business networking events
- Post-program monitoring and support

Evaluation results indicate that the program is helping participating businesses secure new work contracts, increase revenues, hire new employees, and plan for future growth.

2. Revolving Loan Program

OSBD's Revolving Loan Program offers financial assistance to certified Small Business Enterprise (SBE) firms in the City of Milwaukee. These low interest loans (currently 5%) are available for SBEs who have been awarded a contract with the City of Milwaukee, Milwaukee Area Technical College, Milwaukee Metropolitan Sewage District, or Milwaukee Public Schools. The maximum loan amount can be up to 25% of the contract, or \$35,000.

The loan award must provide documented benefits to the local community such as neighborhood stability through job creation and retention. Loans may be used to assist in cash flow, purchase inventory, or increase workforce, but may not be used to repay previous debts, including unpaid local or federal taxes. Most revolving loan recipients utilize the funds to cover payroll expenses or hire additional staff and therefore help to provide economic vitality to distressed areas. Typically, those who most frequently utilize the program are unable to secure loans through traditional lending institutions and recognize the opportunity to establish a payment history. However, the loan and payment information are not reported to national credit reporting agencies. Other recipients are business savvy and take advantage of the City's lending requirements, which are less stringent than traditional institutions.

The Revolving Loan Program funds are a unique resource for the small business community. The continued availability of these funds will foster growth of small businesses and build capacity for firms who are seeking to expand their share of the marketplace. Below is a detailed review of the distribution of Revolving Loan funds over the past fourteen (14) years.

¹¹ MGO 370-25

¹² MGO-370-23

Table 1:

Revolving Loan Program Distribution 2001 – 2014				
Year	# of Loans	Total Value	Interest Income Collected	# of Jobs Created
2001	1	\$35,145.63	\$145.63	8
2002	4	\$143,820.56	\$3,820.56	20
2003	1	\$35,955.14	\$955.14	24
2004	7	\$246,962.66	\$4,567.60	23
2005	4	\$82,354.00	\$2,305.86	10
2006	3	\$85,409.42	\$2,039.52	14
2007	3	\$81,447.00	\$1,984.21	16
2008	1	\$24,948.00	\$827.12	5
2009	3	\$76,006.25	\$1,862.47	21
2010	8	\$198,221.63	\$9,911.08	13
2011	4	\$111,223.00	\$5,561.15	20
2012	6	\$171,445.00	\$7,883.22	27
2013	3	\$51,280.90	\$2,564.05	18
2014	2	\$57,750.00	\$2,887.50	14

The City also uses several additional tools and resources to build small business capacity and ensure it meets small business inclusion goals, including:

- **Small Business Week and Sustainability Conference:** The City holds an annual City of Milwaukee Small Business Sustainability Conference to support professional development, networking, and relationship-building among businesses and with department staff and city leaders.
- **Small Business Inclusion Champions Within Each Department:** The internal stakeholder interview process revealed that there are staff within each city department who are passionate about small business capacity building and work to ensure small business inclusion goals are met.
- **Development of Intergovernmental Partnerships:** The City of Milwaukee participates in ongoing discussions with Milwaukee Public Schools (MPS), Milwaukee Metropolitan Sewer District (MMSD), Milwaukee County, Wisconsin Economic Development Corporation (WEDC) and the State of Wisconsin to ensure they are abreast of local best practices as it relates to contract monitoring, certification standards, participation requirements and technical assistance for small business.
- **Certification Information Sessions:** OSBD currently conducts regular certification information sessions to assist small businesses in accurately and efficiently completing the certification process. The sessions also assist small businesses in identifying appropriate contracting opportunities with the City of Milwaukee.
- **Online Support:** OSBD is transitioning to online certification to make the application process more streamlined and efficient. In addition, OSBD is working to make website enhancements to ensure its web presence is informative and user friendly.

Statutory Framework for Inclusion Programs and Procurement Process

The City of Milwaukee implements its small business inclusion program within a specific legislative and organizational framework. Several departments within the City of Milwaukee have procurement authority and are responsible, in large part, for the procurement of goods and services necessary for them to execute departmental functions.

The Department of Administration (DOA) is the primary procurement department within the City of Milwaukee.¹³ The Department of City Development (DCD)¹⁴, Department of Neighborhood Services (DNS)¹⁵, Department of Public Works (DPW)¹⁶, the Port of Milwaukee¹⁷, Milwaukee Public Library¹⁸ and the Redevelopment Authority of the City of Milwaukee (RACM)¹⁹ also have procurement functions specific to the needs of their individual departments.

In addition, the Housing Authority of the City of Milwaukee (HACM) is responsible for the procurement of goods and services specific to its functions within the City of Milwaukee.²⁰ However, HACM is guided by a separate set of legal requirements defined by both State and Federal statutes and codes. As such, HACM implements its disadvantaged business program within a separate legal and organizational framework.

This section describes those structures, and provides a summary of past efforts to evaluate the programs.

Inclusion Ordinances, Statutes, and Codes

Milwaukee's inclusion programs are governed by a number of ordinances, statutes and codes, which include the following:

Milwaukee Code of Ordinances:

- | | |
|----------|---|
| • 109-45 | Equal Opportunity, Employment Discrimination Prohibited |
| • 370 | Small Business Enterprise Program |
| • 355 | Community Participation in Development Agreements |
| • 309-41 | Participation of City Residents in Public Works Contracts |

Wisconsin State Statutes:

- | | |
|-----------|--|
| • 66.1201 | Housing Authorities (Housing Authority of the City of Milwaukee or HACM) |
| • 66.1333 | Blight elimination and slum clearance (Redevelopment Authority of the City of Milwaukee or RACM) |

Federal Code:

- | | |
|------------------------|---|
| • 24 CFR
s.85.36(e) | Contracting with small and minority and women's business enterprise and labor surplus area firms (HACM) |
|------------------------|---|

¹³ MGO Chp. 310
¹⁴ MGO 308-1(2)(i); 308-1(11)

¹⁵ MGO 16-07(2)

¹⁶ MGO 16-07(1)

¹⁷ MGO 16

¹⁸ MGO 16

¹⁹ Secs. 66.1333(3), 66.1333(5), Wis. Stats.

²⁰ Secs. 66.1201(9); 66.1201(24) Wis. Stats.

Procurement Ordinances, Statutes and Codes

The ordinances governing the City of Milwaukee's procurement practices in the Milwaukee Code of Ordinances are:

- | | |
|------------------|---|
| • Chapter 7 | Commissioner of Public Works |
| • Chapter 320 | Boards, Commissions and Committees |
| • Chapter 81-102 | Purchasing Appeals |
| • Chapter 365 | Local Business Enterprise Contracting Program - Chapter 365 |
| • Chapter 310 | Department of Administration |
| • Chapter 16 | Purchasing |

The ordinance governing the City of Milwaukee's procurement practices in the Wisconsin State Statutes is:

- Wisconsin State Statute, Subchapter IV, Section 16, Purchasing

Overview of the Procurement Process

In order to meet their small business participation goals, city departments must adhere to the following procurement procedures as governed by the City of Milwaukee's Code of Ordinances, Wisconsin State Statutes and Federal Code. The types of solicitations are further described below. For a complete list of procurement procedures for each department, please see Appendix A.

Types of Purchases:²¹

The City's requirements vary based on the dollar amount of the purchase as follows:

1. **Procurement Cards** – small-purchases up to not less than \$5,000 by city personnel. DOA - Business Operations Division - Procurement Services is responsible for program administration, training and authorizing departmental use.
2. **Jumpstarts** – purchases between \$5,000 and \$10,000 are executed by DOA- BOD- Procurement Service Section (PSS) and quotes are submitted by the user departments.
3. **Informal Bids** – purchases between \$10,000 and \$50,000, are advertised on the City's website. Bids are awarded by the city purchasing director to the lowest responsible and responsive bidder.
4. **Formal Bids** – purchases over \$50,000 are subject to competitive bidding and are advertised, sealed, and opened at a public bid opening and are subject to a formal appeal period. After the city purchasing director approves the award recommendation, a formal written contract is required. Formal bids require adherence to any applicable code provisions in force concerning, "participation of small business or local business enterprises, ethical purchasing, purchase of American made vehicles, purchase of Milwaukee-, Milwaukee county-, or American-made goods and local business enterprise program requirements."²²
5. **Requests for Proposals** – is the method used when price is not the only factor to be used in determining the award of the contract. This is an exception to the bidding process (therefore, an Exception to Bid form must be submitted). Evaluation criteria for award will be established (ie. experience of firm, experience of personnel assigned to the project, approach to project, completeness of proposal, ability of proposer to meet the City's needs). The evaluation criteria is approved by the City Purchasing Director.

²¹ Accessed January 12, 2015. http://city.milwaukee.gov/Directory/Procurement/PPR/Tips.htm#_VLRCf3tbhXs.

²² MGO 16-1-1

Formal Bidding Exceptions

Procurement is subject to competitive bidding except in the following and additional purchasing circumstances:²³

1. "Piggybacking" from contracts initiated by other Municipal, State, or Federal governments
2. Where the bid specifications are impossible or implausible to draft
3. When it constitutes a special adaptation for a special purpose
4. Purchases made using sole source. A sole source exists when there is only one known source of supply for a particular commodity or service. The performance of the work or service requires creative, individual or artistic talents, scientific knowledge or is of a technical or experimental nature, or includes professional skills or other special skills or training
5. Purchases made using a single source. A single source is defined as, "the selection of a particular vendor when there are other vendors who could potentially provide the good or service, but the particular vendor is [e]specially suited to comply with the specifications."

There are additional special requirements for single and sole source contracts. When a single or sole source service contract of \$50K or more is executed or an existing single or sole source service contract of less than \$50K is amended and the original amount of the contract is added to the amended amount of the contract is \$50K or greater, the contract or amendment shall not be effective unless approved by the committee on finance and personnel.²⁵ The City Purchasing Director upon a written waiver may waive Finance & Personnel Committee approval of single and sole source service contracts under the following circumstances:

One –time contract amendments that are less than \$10K.

1. Contracts necessary to respond to emergency situations that threaten life, health or safety.
2. Contracts for services provided by the actuary designated under s. 36-15-13.²⁶
3. Services related to proprietary products or services or procurements authorized under separate common council action.

Note: The City Purchasing Director shall report the circumstances surrounding any waiver granted as specified above to the Finance & Personnel committee within the following two regularly scheduled common council cycles following the issuance of the waiver.

Bid Notifications

The City of Milwaukee encourages anyone who wants to engage in a contract to register for E-notify, the City's exclusive bid notification system. The bid may also be acquired from the Procurement Services Section of the City of Milwaukee website. Formal bids over \$50,000 are also advertised publicly in the Daily Reporter, as required by statute.²⁷ A copy of a pending bid may also be obtained from the Procurement Services Section upon request.

Purchasing Appeals

Departments have in place processes to address appeals of procurement decisions.

Department of Administration

The Purchasing Appeals board shall hear bidder award or specification appeals of recommendations made by the City Purchasing Director. The Appeals Board's eight-person membership includes, "the mayor, commissioner of public works, chair of the common council committee on finance and personnel, the director of administration, the city comptroller, the president of the common council, and two city employees."²⁸

²³ MGO 16-5-(3)
²⁴ MGO 16-5-(4a)

²⁵ MGO 16-(4a)
²⁶ MGO 16-(4a)

²⁷ MGO 16-1-(01)
²⁸ MGO 16-02

Department of Public Works

The Public Works Contract Committee, comprised of the chair of the economic development committee, a member of the economic development committee (selected by the chair) and the director of administration, or their designees, hears all contract appeals at a hearing to be scheduled within five days of the receipt of the appeal. The Public Works Contract Committee has the authority by majority vote to affirm or set aside the determination of the Department of Public Works Commissioner.²⁹

Other Relevant Inclusion Ordinances

The City of Milwaukee also utilizes a number of additional ordinances to ensure inclusion of City of Milwaukee residents on projects and contracts funded in part or whole by the City of Milwaukee.

Participation of City Residents in Public Works Contracts (309-41)

The City of Milwaukee authorized the Department of Public Works to administer the Participation of City Residents in Public Works Contracts.

The applicable ordinance requires that all Department of Public Works (DPW) "Contracts and other contracts" apply a presumptive 40% of the worker hours by underemployed or unemployed workers and that contractors and subcontractors, "give fair consideration to all segments of the population including women and minorities."³⁰

The contract must also contain a provision requiring the contractor or subcontractor maintain a record of the, "name, address, race and gender of all employees utilized by the contractor."³¹ Records must be kept for seven years after the final payment.³²

The statute considers a worker as eligible for this program if they qualify (1) as a resident of the City of Milwaukee and (2) are underemployed or unemployed. To prove residency, an individual must, "establish domiciliary intent."³³ Past voting in the city and paying income taxes are two examples the statute list as suitable qualifying evidence.³⁴ Underemployed or unemployed workers retain their status five years after their first contract and are made eligible by any of the following standards:

1. Worked less than 1,200 hours in the past 12 months
2. Has not worked in the past 30 days
3. Household income at or less than the federal poverty guidelines, "as adjusted by the Wisconsin department of public instruction to define eligibility for reduced lunch in schools."³⁵

All contractors and subcontractors demonstrate this by submitting affidavits to the DPW attesting that the employee is underemployed or unemployed and is a resident.³⁶ Moreover, it is required that all, "contractors and subcontractors submit contract time reports listing workers by name, residential address, work classification and hours worked."³⁷ This is to be submitted, "within 10 days following completion of the work or every three months."³⁸ Every three years an independent audit must be arranged to evaluate the Participation of City Residents in Public Works Contracts program. This must be done, "by a certified accounting firm licensed to perform audits in the state of Wisconsin, or by the city comptroller."³⁹ An audit of the City's program through the Department of Public Work was completed in 2013.

Community Participation in Development Agreements (Chapter 355)

Developers seeking direct financial assistance for any projects are required to participate in several inclusion efforts that the City has developed and that the Department of City Development (DCD) and OSBD administer interdependently. Direct financial assistance is determined by the DCD and defined as, "value of below-market land sales, any direct subsidies to developers and city expenditures for private improvements, with a combined value of \$1 million or more."⁴⁰ This definition includes, "tax increment financing" and "below market rate loans."⁴¹

²⁹ MGO 7-14 -(2)(b) ³⁰ MGO 309-41(2)

³¹ MGO 309-41-(2a-b)

³² Id.

³³ MGO 309-41-(e)

³⁴ Id.

³⁵ MGO 309-41-(f)

³⁶ MGO 309-3- (2b)

³⁷ MGO 309-3-(3b)

³⁸ Id.

³⁹ MGO 309-3-(4b)

⁴⁰ MGO 355-2

⁴¹ Id.

⁴² MGO 355-1-(2)

After a prospective developer submits a proposal, the Department of City Development and the city comptroller will, "provide the common council an analysis of the project's financial feasibility, market assumptions, rate of return, and job impact including wage and benefit information."⁴² An additional report will be prepared analyzing the "quality of proposed building and site design, the impact of the project on the city's and the historic building stock." Sustainability considerations will be assessed including the "use of alternative energy sources, recycled/low impact materials, creation of public open space, incorporation of transit and pedestrian oriented design features and amenities." Finally, the report will seek whether the project could be eligible for, "certification under the Leadership in Energy and Environmental Design Green Building Rating System or other national certification."⁴³

The receipt of direct financial assistance means that the "contractors and subcontractors must employ apprentices and on-the-job trainees" at the, "maximum ratio of apprentices to journeymen established by the Wisconsin Department of Workforce Development."⁴⁴ The City's Department of Administration is tasked with monitoring performance and enforcement of non-compliances.

Development agreements also require a rate of 40% participation of city residents that qualify as underemployed or unemployed as seen in the requirements for public works contracts listed above. A key difference is the statutes require that the Department of City Development consult with the Office of Small Business Development to determine the, "level of participation of unemployed and underemployed residents of the city for the project to reflect the job or trade categories required for the project" and look into whether there is a "pool of available certified and qualified workers within each job or trade category."⁴⁵ Based on this, the Commissioner of the Department of City Development reserves the ability to change the presumption of 40% to a lesser amount.

There are two caveats to this requirement. When submitting a, "citizen resident utilization plan" to show how the 40% participation rate will be achieved, the ordinance allows that a third of worker hours can be redirected to projects where, "compliance is not required" or by hiring them on a, "full-time permanent basis for non-construction job categories related to the project."⁴⁶ This is reported by submitting an affidavit provided by the DCD explaining the facts the adjustment is based on.⁴⁷

During the construction, OSBD "monitors compliance" and confirms that all contractors have submitted reports that list, "workers name, residential address, work classification, and hours worked once every three months and 10 days following completion of work."⁴⁸ The OSBD is tasked with reporting on the performance of the overall program. However, every three years an independent audit must be arranged to evaluate the resident's preference program. This must be done, "by a certified accounting firm licensed to perform audits in the state of Wisconsin, or by the city comptroller."⁴⁹ An audit of the RPP program will be completed in October 2015 and presented in November 2015.

Any receipt of direct financial assistance has a mandate to utilize the first-source employment program. Before making known a position for any contract, the OSBD needs to be contacted with information including a, "general description of the program and minimum requirements for qualified applicants."⁵⁰ The contractor must wait to publish the job for 10 business days publicly after notifying the OSBD unless there is, "no qualified candidate to be referred." The responsibility for the referral is with the OSBD or its designee (e.g. MAWIB), who keeps a database of job opportunities, tracking system, and record of where each "applicant was interviewed."⁵¹

Other requirements include using SBEs at the standard rates listed under the OSBD section and a living wage requirement. The latter, unless precluded by s. 66.0903, dictates that any employee that is funded through the city must make \$10.10 or, "effective March 1, 2015, the average of the amount required to produce for 2,080 hours worked, an annual income equal to the U.S. Department of Health and Human Services most recent poverty guideline for a family of 3 and family of 4."⁵² (The OSBD monitors and manages compliances the first-source employment program).

⁴³ Id.

⁴⁴ MGO 355-9-(1)

⁴⁵ MGO 355-7-(a)

⁴⁶ MGO 355-7-2(a)

⁴⁷ Id.

⁴⁸ MGO 355-7-2(c)

⁴⁹ Id.

⁵⁰ MGO 355-11-(2a)

⁵¹ MGO 355-11-(2b-e)

⁵² MGO 310-13- (b)

⁵³ MGO 190-2

109 Equal Rights Commission

The Equal Rights Commission is charged with ensuring equal opportunity in housing and employment for Milwaukee County, “as denial of equal opportunity... deprives the community’s fullest productive capacity” and creates, “housing below the standards to which they are entitled.”⁵³

Two provisions of this ordinance chapter are notable.

The first requires that any agencies in the city with contracting powers contain, “a provision obligating the contractor not to discriminate against any qualified employee or qualified applicant for employment because of sex, race, religion, color, national origin or ancestry, age, disability, lawful source of income, marital status, sexual orientation, gender identity or expression, past or present membership in the military service, familial status, or based upon affiliation with, or perceived affiliation with any of these protected categories, and shall require the contractor to include a similar provision in all subcontracts.”⁵⁴

The second allows for oversight of all practices relating to the promotion of SBEs. It requires the Equal Rights commission to meet at least four times yearly for the purposes of monitoring the “employment, contracting, and program activities of the City, prepare and provide timely reports to the mayor and common council, to promote equal rights, equal opportunities, positive community.”⁵⁵

Major Research Implications from the Review of the Inclusion Framework

1. The City is able to successfully develop innovative programs to meet its goals and improve service. These programs boost business capacity and lower barriers for small businesses.
2. Procurement processes across departments vary. As a result, departments lack overall understanding about how the City departments work together to meet inclusion goals. In addition, the variations in procurement processes make it hard for external users to interact with the City.
3. Some processes are not formalized. City staff are required to make case-by-case decisions regarding procurement matters.

Past Studies of Milwaukee Inclusion Program

The City of Milwaukee has worked to improve small business inclusion efforts over the past several decades. Most recently, the City commissioned two studies that identified recommendations for improving inclusion efforts. The following section highlights these recommendations and the City’s efforts to implement changes to its inclusion programs.

Study to Determine the Effectiveness of the City’s Emerging Business Enterprise Program

In August 2007, Mason Tillman Associates Ltd. presented the results of its Study to Determine the Effectiveness of the City’s Emerging Business Enterprise Program (known as “The Effectiveness Study”). The Effectiveness Study included twelve (12) recommendations are referenced on page 18, and in October 2007, the Mayor of Milwaukee announced the immediate implementation of several of its recommendations.

As of March 2015, the Department of Administration staff report having implemented all of the Effectiveness Study recommendations to varying extents and with varying results, as reflected in the table below. However, despite successful efforts to improve its inclusion programs, there remain opportunities for the City to build on its existing strengths and implement innovative solutions to assist the growth and development of small businesses.

⁵⁴ MGO 109-4-(7a)

⁵⁵ MGO 109-5-(4a)

Table 2:

Progress Made Toward Implementing Recommendations from the <i>Effectiveness Study</i>	
Recommendation	Implementation Status
1. Accept certifications from five other local certification agencies	<ul style="list-style-type: none"> • Ongoing discussion
2. Establish uniform subcontracting policies: 3. Penalties for failure to list subcontractors on bid documents 4. Substitution of subcontractors after award of contract	<ul style="list-style-type: none"> • Better enforcement of SBE requirements • Ongoing discussion with DPW and City Attorney's Office
5. Waive bond requirements/Revise insurance requirements	<ul style="list-style-type: none"> • Implemented when practical and doesn't increase the City's liability
6. Implement prompt payment procedures	<ul style="list-style-type: none"> • Prompt Payment Provision Implemented
7. Develop complaint procedures for subcontractors	<ul style="list-style-type: none"> • Created Hotline/Information Line
8. Track all subcontractor bidders	<ul style="list-style-type: none"> • Created Business Sense Software and transitioned to B2Gnow compliance monitoring software • SBE Business Directory available via website
9. Conduct a disparity study	<ul style="list-style-type: none"> • Completed in December 2010
10. Post all sole source contracts	<ul style="list-style-type: none"> • All Sole Source contracts are posted on PSS webpage
11. Unbundle large contracts	<ul style="list-style-type: none"> • Implemented on a case-by-case basis
12. Make website enhancements	<ul style="list-style-type: none"> • Procurement Services • OSBD • Citywide enhancements in 2014
13. Pay mobilization to EBE contractors	<ul style="list-style-type: none"> • Revolving Loan Program • Adjustments as necessary
14. Publicize EBE outreach efforts	<ul style="list-style-type: none"> • Small Business Conference and MKE Small Business Week • OSBD website and outreach campaigns via B2Gnow software • Business Capacity Building Program

Disparity Study for the City of Milwaukee

One of the key recommendations of the 2007 Effectiveness Study was to conduct a disparity study to examine whether a disparity exists for minority and women-owned emerging business enterprises (EBEs) working on City of Milwaukee construction, professional services and goods & services contracts. A disparity exists when there are more available EBEs ready, willing and able to conduct work on City of Milwaukee contracts than are utilized.

In 2009, D. Wilson Consulting Group, LLC was commissioned to conduct the Disparity Study for the City of Milwaukee (Disparity Study). The Disparity Study identified eight overarching recommendations:

1. The City of Milwaukee should limit its EBE program to the Metropolitan Statistical Area.
2. The City of Milwaukee should amend its EBE program to set race/gender-specific annual participation goals for construction subcontracts for African-American, Asian-American and Non-Minority Women owned firms.
3. The City of Milwaukee should amend its EBE program to set race/gender-specific annual participation goals for good and services subcontracts for Native-American, Hispanic-American and Non-Minority Women owned firms.
4. All City of Milwaukee Departments should review professional service contracts to identify subcontracting opportunities.
5. The City should track all contract awards and payments to prime and subcontractors. All records should be maintained in a database that captures the data variables requested during the data collection process of the study. This process should include all business categories.
6. The City should conduct random audits of prime contractor payments to EBE-owned firms that require documented proof of payments. Additionally, the City should follow-up periodically with EBE firms to ensure that they have been paid and participated in the contracting process.
7. The City and MMSD should ensure that prime contractors are making timely and accurate subcontractor payments to M/WBE and non-M/WBE owned firms. This can be accomplished by reviewing and enhancing the current process for tracking payments made by primes to subcontractors.
8. The City and MMSD should conduct an audit of their current compliance processes to determine their effectiveness and make modifications based on the findings. The audit should include validation of the information received from both prime and subcontractors.

In 2011, both the Common Council and the Mayor of Milwaukee accepted the Disparity Report findings and recommendations, and the Mayor of Milwaukee announced the immediate implementation of all recommendations identified in the report.

Implementation of and Revision to Chapter 370

In January 2012, Chapter 370 of the Milwaukee Code of Ordinances went into effect, resulting in the implementation of the recommendations identified in the Disparity Study completed in December 2010. This transformed the Emerging Business Enterprise (EBE) Program to a Minority, Women and Small Business Enterprise (MWSBE) program. In doing so, the program transitioned the City from a race and gender-neutral program to a race and gender-specific program. The Emerging Business Enterprise (EBE) program also transitioned into the Office of Small Business Development (OSBD) to further implement and oversee the programmatic changes. The changes limited MWSBE certifications to businesses located in a four-county area, known as the Metropolitan Statistical Area (MSA): Milwaukee, Ozaukee, Washington, and Waukesha counties.

However, in November 2013, portions of Chapter 370 of the Milwaukee Code of Ordinances were repealed to remove the race- and gender-conscious programs (minority and women business enterprise) and maintain the race and gender-neutral Small Business Enterprise (SBE) program. The four-county MSA restriction was also removed, opening up certifications to businesses located in the contiguous United States. The “Disadvantage with Respect to Business Training” was also removed as a possible eligibility criterion for businesses seeking new or renewal certification.

In repealing portions of Chapter 370, the City of Milwaukee returned to a formally race and gender neutral program, which it remains today. This decision has raised concerns among community advocacy groups about the program’s ability to meet the needs of specific communities of small business owners. The following section presents findings from stakeholder interviews that examines the effectiveness of the City’s current practices, identifies its strengths, and highlights stakeholders’ concerns and unmet needs.

Key Findings From Stakeholder Interviews

The interviews resulted in an extensive wealth of data that has been detailed in the appendix. Key findings are summarized below under interview themes and include input from all the stakeholder groups. Findings have been summarized by the AECOM/P3 project team and do not necessarily reflect the actual words of the stakeholders. Findings from these interviews were used to inform the best practices analysis and guided the peer city interviews. It should be noted that some of the perceptions of interviewees are not necessarily accurate. Inaccuracies are not corrected in this section, which reports the interview results. *(Please see Appendix B for a detailed list of interview findings.)*

Legal and Operating Framework

1. City departments and the Housing Authority operate within differing legal frameworks, creating a fragmented approach to business inclusion. As a result, the current practices used to include small and emerging businesses are generally not transferable across city departments – particularly with regard to certification and utilization requirements -- and have created distinct silos within departments and programs.
2. Businesses are not clear on the role of the OSBD, and some cannot point to positive experiences with OSBD. Only the savviest firms understand how OSBD works for them. Those firms report success and good service from the City.
3. City department staff expressed having little power to compel or enforce good practices by contractors. At the most, the City can debar noncompliant contractors from participating on city contracts. However, in reality, this power is seldom exercised.
4. Because of the various processes and legal frameworks for inclusion, the practices used to include small and emerging businesses are generally not transferable across city departments. The one-size-fits-all language of the City's inclusion program is seen as unfairly disadvantaging some departments, particularly those that purchase primarily highly specialized goods and services.
5. The requirement that the City must accept the lowest responsive bid means that small businesses are in some cases simply not able to compete for a range of contracts.
6. It is necessary for the City to establish strategic objectives for the inclusion program. From a policy perspective, the City will need to decide if the inclusion program should target the neediest businesses and workers or focus on those most likely to become sustainable.
7. The RPP program is one tool that is being asked to address many issues: tax base, underemployment, discrimination in hiring, etc. It is unclear to stakeholders whether this is the best model to address this array of concerns and objectives.

Existing Practices To Meet Inclusion Goals

1. The bidding and selection processes are opaque. Businesses do not understand the low responsive bid principle and do not understand how to ask questions about bid requirements.
2. The certification process is difficult to navigate, particularly for people for whom English is a second language.
3. The City's small business certification program is perceived by some business owners as cumbersome. For many, the benefits of certification are vaguely understood, and the difference between city, county, MMSD and state certification unclear.
4. Some departments and individuals within departments have established ad hoc mentoring programs to help SBEs understand and carry out the certification, bidding, invoicing and reporting processes. However, the level of mentoring varies greatly, and programs are not formalized across departments. HACM has created an in-depth mentoring program for Section 3 that should be considered as a model. It includes one-on-one mentoring, paid training, organizing mock interviews, resume building, pre-submission bid reviews to reduce the likelihood that fledgling businesses will be eliminated from consideration due to paperwork mistakes.

5. Each city department has identified one person involved in contracting who sees small business firms as a primary 'customer.' In many cases, this leads to a high level of personal commitment to meeting the goals of the City's business inclusion policy and extraordinary practices to ensure that annual business inclusion goals are met. However, at times, this also leads to only a small number of businesses having developed strong relationships with these individuals and subsequently, winning a disproportionate number of contracts.
6. In many cases, the city departments are viewed as picking "winners and losers" from the pool of small businesses. Because city staff must ensure that their projects are completed in a competent, timely and cost-effective manner, they often rely on a small subset of SBEs with whom they have personal relationships and trust. This is also true of general contractors who want to work with subcontractors with whom they have established relationships. This contributes to the creation of a pool of established, sustainable small businesses, but limits the number of SBEs who receive city contracts.
7. For very small projects, departments can reach out to a limited list of SBE contractors. The value of these contracts ranges from \$2K to \$25K, depending on the department and the type of good or service.
8. Departments frequently break large projects down into smaller components in order to enable SBEs to compete for city work. The majority of SBE inclusion is perceived as being the result of subcontracting. For projects of larger size, there are few available SBE prime contractors. Larger projects and contracts are more difficult to administer due to increased complexity. Lack of business skills and experience – as opposed to technical ability – is seen as a major barrier for many small businesses in delivering larger projects. In particular, many small businesses lack skills in estimating, bidding, invoicing and tracking.
9. It is very challenging to meet SBE goals for professional services work. There are not enough certified small business contractors to ensure competition. In preparing a request for bids, if there are fewer than three certified firms deemed able to complete the work, the SBE targets may be reduced or waived.
10. Projects with real estate development agreements have the greatest opportunity to impact inclusion efforts, in part, because expectations are negotiated up front with project developers, unions, contractors, and the City. The use of Tax Incremental Funds (TIF) funding can also allow the City to build in business development and forgivable loan activities.

Monitoring

1. Just as there is no standard set of rules for inclusion, there is no standardized reporting process for evaluating results. As a result, it is difficult to analyze if the inclusion program is successful or use the data to meaningfully inform decision-making.
2. Currently, reporting requirements on the City's business inclusion and workforce goals are too general and should require information beyond SBE percentages, including a rationale on how and why targets are or are not being met.
3. It is unclear whether any one department accepts overall accountability for the City's business inclusion activities.
4. Residential Preference Program (RPP) monitoring is difficult and costly. Some departments are spot-checking actual eligibility of reported employees. However, RPP eligibility lasts for five years, too long a period to adequately monitor eligibility. Prevailing wage monitoring adds to the overall complexity. Many stakeholders would like monitoring and reporting to be simplified and standardized.
5. The monitoring process is burdensome to contractors. Oftentimes, contractors do not understand the paperwork, are unable to adequately supply necessary documentation, or are unable to complete the numerous forms required.

Major Research Implications of Stakeholder Findings

Based on findings from stakeholder interviews, seven areas of improvement were identified:

1. **Simplify and standardize certification and procurement processes:** Contracting efforts are viewed as bureaucratic and complicated. Paperwork should be simplified for certification and for responding to Requests for Proposals.
2. **Improve coordination of certification processes:** Coordination among the various small business certification processes is needed. By setting up consistent processes, the City will be able to document progress toward full implementation of report recommendations and inclusion goals.
3. **Expand the pool of small businesses receiving contracts:** The same businesses continue to win City work without any demonstrated intention to build capacity. The City should consider implementing a program with a limited number of SBE slots that would help those businesses build their sustainability, then “graduate” them and fill their slots with new small businesses who demonstrate high potential (“targeted capacity building”). In addition, the City should consider developing a tiered small business enterprise program, in which some contracts are competitively offered to certified SBEs only.
4. **Support business capacity building:** Many stakeholders expressed a need for business capacity building. The City must determine and formalize its role in small business capacity building and workforce development.
5. **Standardize monitoring activities:** Departments must set up better monitoring of inclusion efforts. This will necessitate the design of shared or overall goals and targets for measuring success.
6. **Build strategic partnerships:** Formalized, strategic partnerships should be developed to provide resources and support to small businesses, including mentorship or protégé programs.
7. **Develop stronger outreach efforts:** Because many stakeholders – including City staff – harbor misperceptions about the inclusion program and the services provided by OSBD, the City should develop an outreach program targeted to the small business community. An outreach program would help the City strengthen its relationships with small businesses and distribute information on its certification and contracting process and the resources available to help grow small business.

Small Business Enterprise Contracting Data Analysis

The City of Milwaukee targets the inclusion of small business enterprises, or SBEs, in all municipal contracting. As part of an evaluation of best practices in small business inclusion, this section documents a review of contracting data for the years 2012 and 2013 from all city departments and the Housing Authority of the City of Milwaukee. The Housing Authority operates in a differing legal framework, but also targets the inclusion of small, minority and women owned businesses.

This data analysis seeks to shed light on the City's practices in including SBEs in contracting. Its shape is dictated by the findings of an intensive set of interviews with city staff, elected officials, external stakeholders and focus groups with small businesses to determine their experiences in administering and participating in the City's inclusion programs. The analysis focuses on issues raised in these interviews and was conducted to shed light on the gaps between the City's existing programs and alternative practices from peer communities across the country.

The data analysis is not meant to be a comprehensive examination of the City's inclusion programs, nor does it include a disparity analysis or other analyses with legal implications. Instead, it elucidates the effects of the City's and HACM's existing practices in including small businesses in contracting.

Methodology and Limitations of the Data

Currently, contracting data are collected across city departments using varying practices. Until 2012, data were reported as a single number. The percentage of contract dollars awarded to certified SBEs by department and rolled up into a total annual percentage for the City. Since the implementation of Chapter 370, data are broken down by expenditures and industry. The AECOM/P3 Development team collected data from each department and the Housing Authority for the years 2012 and 2013, breaking down the data by certified firm, department, and category of expenditure (construction, goods and services and professional services.) Based on findings from the interview program, the data were analyzed to explore these themes:

1. ***The distribution of contracts and dollars among the three service categories.*** Both city staff and the public expressed that the majority of contract dollars are expended for construction, and that it is very difficult for SBEs to win work with the City providing professional services.
2. ***The proportion of contracts awarded for less than \$25,000.*** This threshold is important because it represents a contract value that is accessible to very small businesses. Some small businesses report facing barriers to competing for larger contracts, including bonding and insurance requirements, staffing and equipment needs and administrative difficulties. While the formal bidding threshold for Procurement Services is \$50,000, informal bids (\$10,001 - \$50,000) are still open to any number of firms to bid.
3. ***The relationship between location of business and contract awards.*** Small business owners located in the City of Milwaukee expressed dissatisfaction that their commitment to reside in the city is not rewarded with contracts. City staff, meanwhile, would like to be able to draw from a larger pool of certified businesses in order to enhance their ability to complete projects on schedule and within budgets.
4. ***The distribution of contracts among certified businesses.*** Business owners perceive – and city staff report – that contracts are typically awarded to businesses with existing relationships with department staff. However, the implications vary. Owners see this as a barrier to winning contracts, and staff sees it as a way to build confidence in the capacity of SBEs to fulfill contracts successfully.

This data analysis should not be construed as comprehensive or definitive. Data were self-reported and drawn from a variety of sources. Some sources may have been incomplete, and sources worked with differing data collection and summary reporting practices, making it difficult to accurately compare across departments or agencies. The analysis below should be thought of as a starting point and provides points for consideration and further analysis, but should not be used to draw definitive conclusions.

The data only represent contracts and contract dollars awarded during 2012 and 2013. They do not necessarily represent actual expenditures for those contracts or include change orders. They are, instead, the total dollars awarded for contracts during 2012 and 2013; periods of performance for these contracts – and consequently payments – may have been extended over a longer timeframe as projects progressed.

Because data are collected and reported in varying ways across departments, some assumptions were necessary in completing the analysis, making it difficult to draw certain conclusions. For example, in some cases, multiple contracts with a particular vendor were reported in a single line item if they were awarded in a single month. In these cases, to determine the proportion of contracts valued at less than \$25,000, the average value of the contracts was calculated.

Furthermore, data was not available from all departments for the requested time period. This analysis makes use of all data provided by city departments and HACM, but it should be noted that some gaps are present, leaving the analysis incomplete.

Finally, because the city departments and the Housing Authority operate under different legal frameworks and with separate though overlapping pools of certified businesses, it was necessary to separate the evaluations of City departments and Housing Authority. For some analyses, data from HACM was unavailable. RPP data is being separately analyzed in an internal audit and is not included in this evaluation.

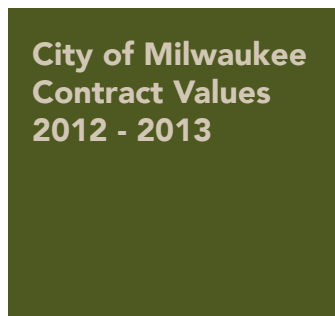
Findings: City Departments

1. The data provided show that the City of Milwaukee awarded approximately \$392.7 million in contracts to firms providing professional services, construction services and for goods and services in 2012 and 2013. Of that amount, \$78.6 million in contracts were awarded to certified SBE firms. The remaining \$314.2 million were awarded to non-SBE firms over this period. The City generally meets or exceeds its targets for inclusion spending. For the analysis period, 23.7% of the contracts awarded were awarded to SBE firms.

2. Notable successes in inclusion deserve to be highlighted. In 2012-13, the City saw 49 small businesses during this period transition from subcontractors to businesses capable of competing for, winning and delivering prime contracts. Through the negotiated development project process - used for large construction projects receiving City support - SBEs were awarded contracts in excess of \$28 million during this period and some these businesses received capacity building support and services. Capacity building services were provided through the Business Capacity Building Program (BCBP). In 2012-13, there were 4 firms that participated in the BCBP program. Overall, SBEs were awarded 26% of development project dollars.

3. As perceived by both businesspeople and staff, the majority of the \$78.6 million awarded to SBE firms during this period were awarded to construction firms. Fully 61% of all SBE dollars are for construction projects. Goods & Services spending accounted for half as much – about 31% of all awards – and the City awarded only 7% of their contract dollars during this period to professional services firms. *Figure 1* shows the overall spending in 2012-2013 and the proportion of awards to SBE firms in these three categories.

Figure 1:



See note regarding limitations of the data.

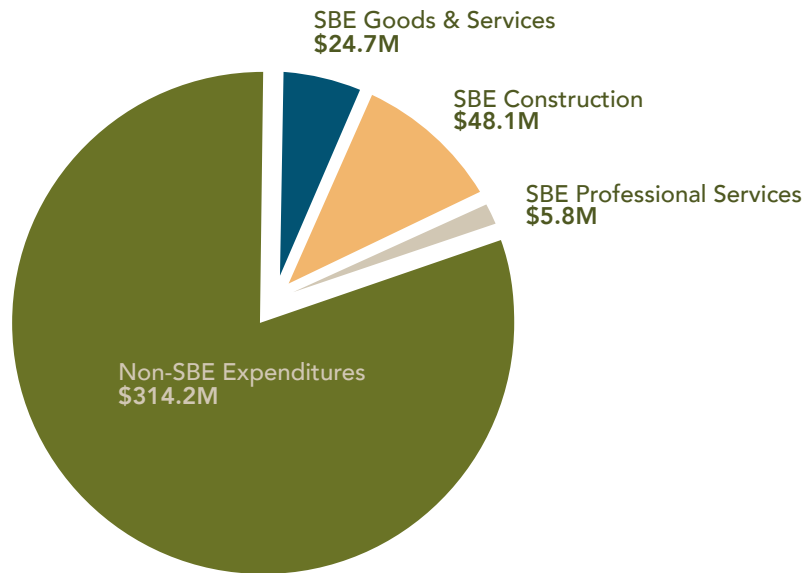
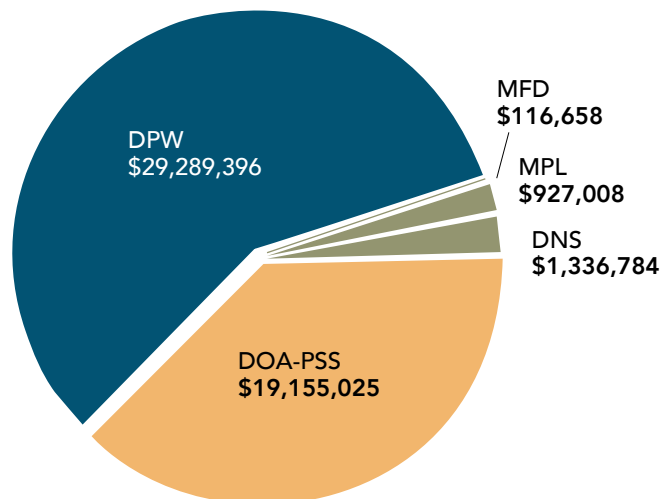


Table 3:

SBE Contract Awards 2012-2013		
Department	# of SBE Contracts	\$ SBE Contracts
DNS	171	\$ 1,336,784
DPW	703	\$ 29,289,396
MFD	76	\$ 116,658
MPD	76	\$ 43,094
MPL	100	\$ 927,008
DOA - PSS	157	\$ 19,155,025
Total	1,283	\$ \$50,867,965

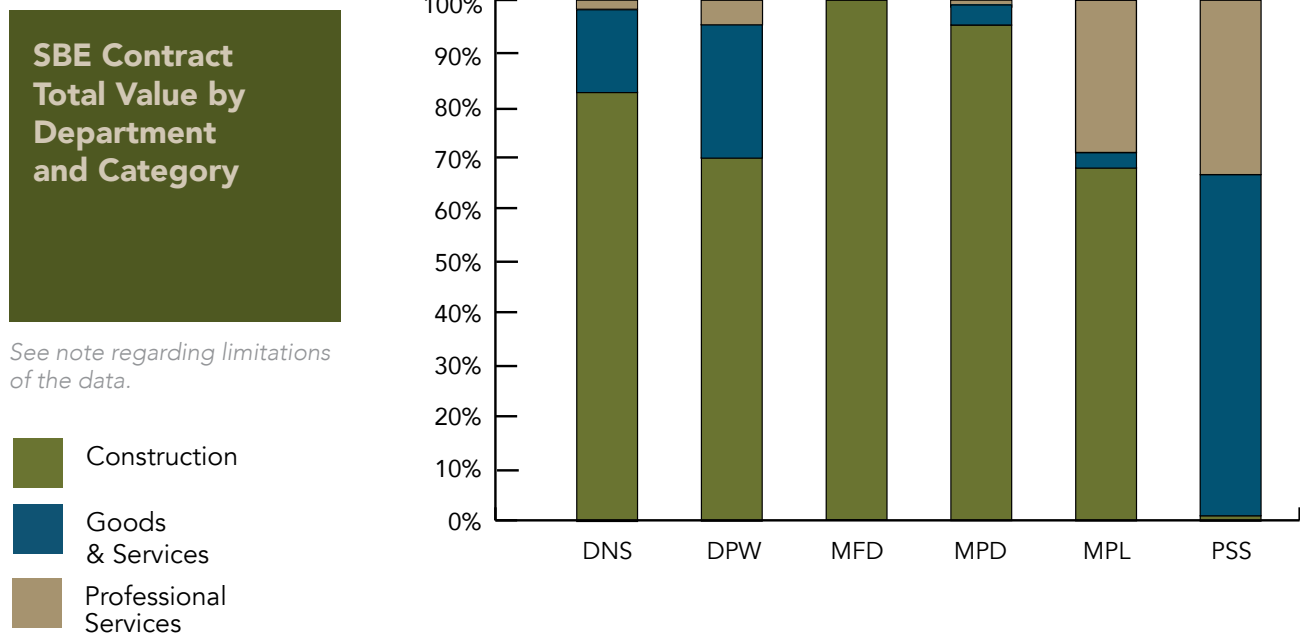
4. As shown in Table 3, a total of 1,283 contracts were awarded to SBEs during this period. According to the available data, DPW executed the greatest number of these – more than 700 contracts, more than half the total – at a value of \$29.3 million. DOA-PSS awarded 157 contracts to SBEs, for a value of \$19.2 million. These two departments awarded 95% of all SBE contract dollars during the analysis period. Figure 2 shows the distribution graphically. DCD awards are not included in this analysis because the bulk of their SBE contract dollars are awarded through general contractors under the terms of development agreements. In other words, they are not directly awarded by the City of Milwaukee. For this reason, DCD is not represented in the tables below. For DCD, much of this spending was the result of development agreements. An additional \$19.2 million was awarded by Procurement Services, bringing the total SBE dollars to \$76.1 Million. In total, 97% of SBE contract dollars awarded in 2012 and 2013 were awarded by only these three departments. *Figure 2* shows this distribution graphically.

Figure 2:

See note regarding limitations of the data.

5. City departments vary in their distribution of SBE contract dollars by category. Construction spending dominates SBE contracts in all departments except Procurement Services and the Housing Authority, both of which contract for relatively high values of Goods and Services. The Milwaukee Public Library and Procurement Services also expend greater proportions of their SBE contract dollars on Professional Services. Purchasing alone accounted for 81% of professional services contract dollars over the study period. *Figure 3* shows the relative contract expenditures by department and category.

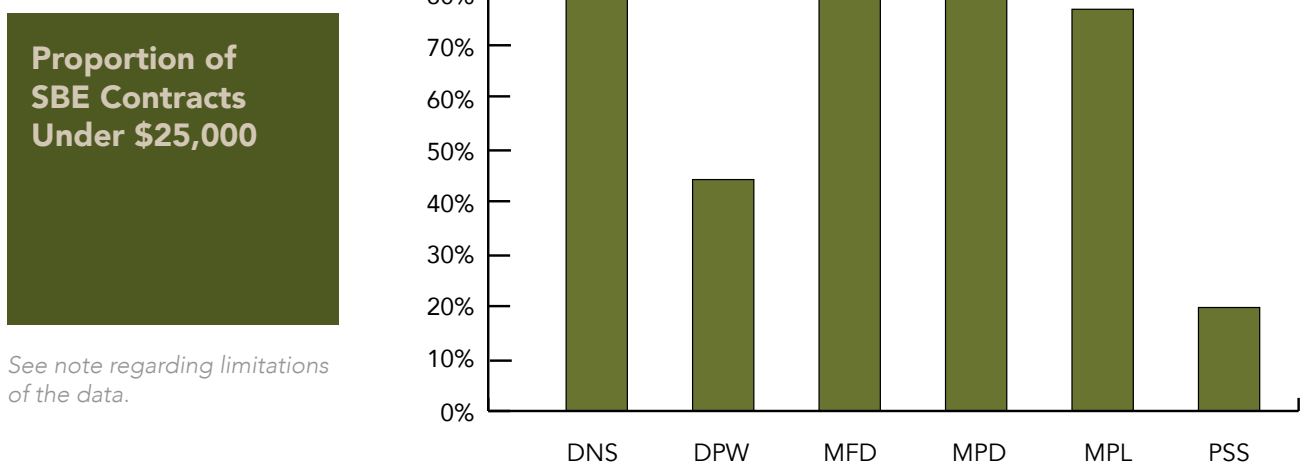
Figure 3:



6. While there is wide variation between departments and expenditure category, average SBE contract size is for the most part comparable across categories when averaged over all departments. The average Goods & Services contract for SBEs is \$54,800; for Construction, \$56,000; and for Professional Services, \$50,600.

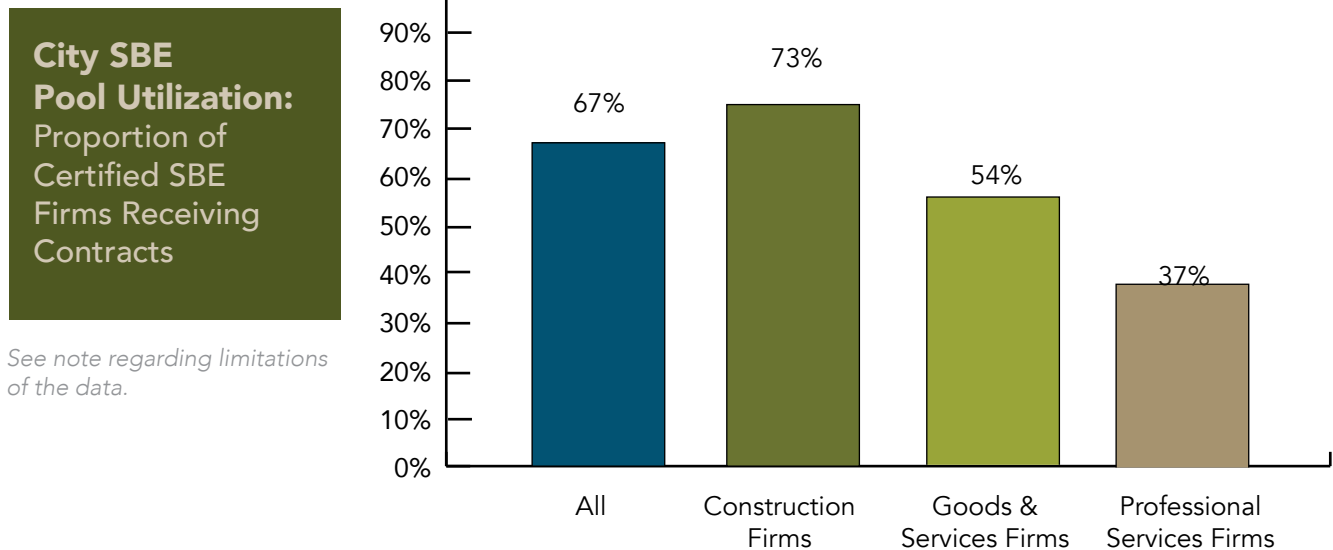
7. With the exception of Procurement Services a large proportion of contracts are for less than \$25,000. *Figure 4* shows the proportion of contracts less than \$25,000 by department.

Figure 4:



8. Of the approximately 280 SBE firms certified to pursue city contracts under the inclusion program, about two-thirds received contracts during the study period. This distribution is favorable to the majority of SBEs. As [Figure 5](#) shows, this proportion varied markedly across the certification categories. Nearly three-quarters of certified construction firms received contracts, while the proportion for Goods & Services was close to half, and for Professional Services only 37% of eligible firms won business with the City. It should be noted that the data available did not include the proportion of certified SBE firms that actually pursued or bid on city contracts.

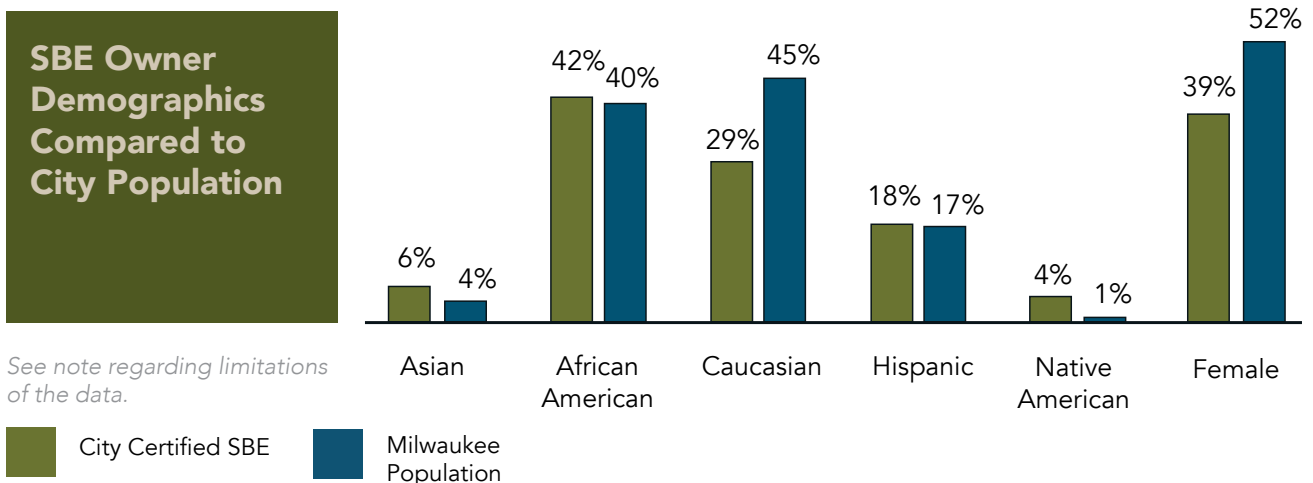
Figure 5:



10. Slightly more than half of the SBE firms awarded contracts (57%) have mailing addresses in the City of Milwaukee, and the value of contracts with city-based firms totaled 62% of the overall contract dollars awarded to SBEs. Overall, city firms received larger contracts. The average value of contracts awarded to firms located outside of the city was 21% lower than the average awarded to firms located in the city.

11. The City collects demographic data on SBEs, although this is not used in awarding or tracking contracts. A comparison of demographic characteristics of certified small business owners with the characteristics of the city's overall population reveals that Caucasian owners and women owners are underrepresented compared to the city as a whole. African-American, Asian and Hispanic businesses are proportionally represented in the city's small business pool, and Native American owned businesses are somewhat overrepresented. [Figure 6](#) shows these relationships.

Figure 6:



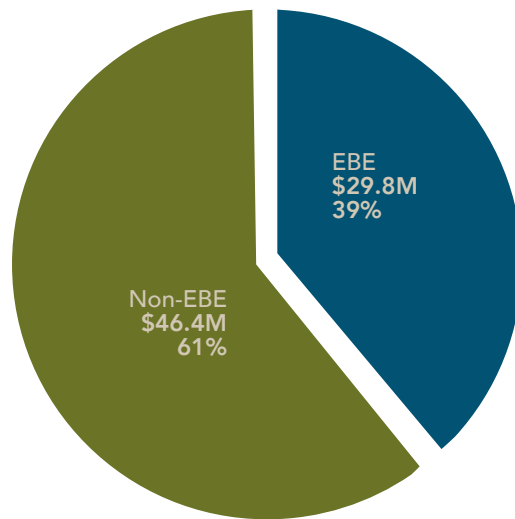
Findings: Housing Authority of the City of Milwaukee

The Housing Authority works with a different certification standard than does the City, called the Emerging Business Enterprise Program. Thus, any comparison between the two should be regarded with caution, as the data availability and reporting standard disparities make any significant conclusions difficult. An analysis of contracts with the Housing Authority (HACM) revealed the following:

1. HACM awarded \$76.2 million in contracts during 2012 and 2013 for Goods and Services, Construction and Professional Services. This includes spending on the revitalization of Westlawn, a major capital project. Thirty-nine percent of these dollars were awarded to EBE firms, for a total of \$29.8 million, as shown in *Figure 7*.

Figure 7:

HACM Contract Values 2012-2013



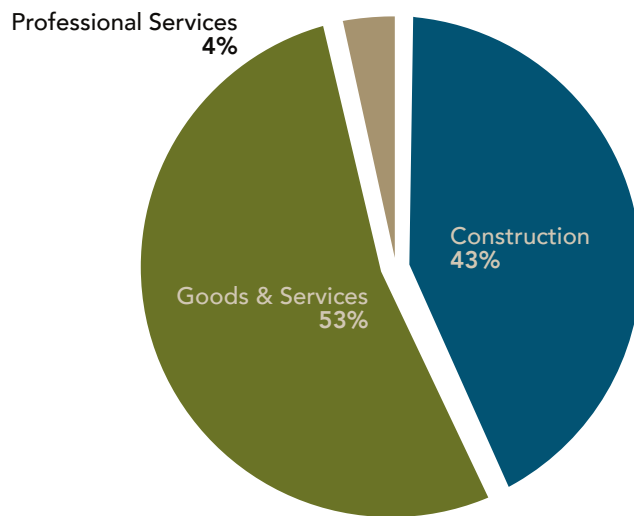
See note regarding limitations of the data.

2. Excluding spending on Westlawn, HACM awarded 27% of its contract dollars to EBE firms.

3. With EBE contracts, the housing authority awards more dollars for Goods and Services than for other categories. Fifty-three percent of EBE dollars are awarded in this category, with 43% going to construction and 4% to professional services. The distribution of contracts is shown in *Figure 8*.

Figure 8:

HACM Contract Distribution by Category 2012-2013

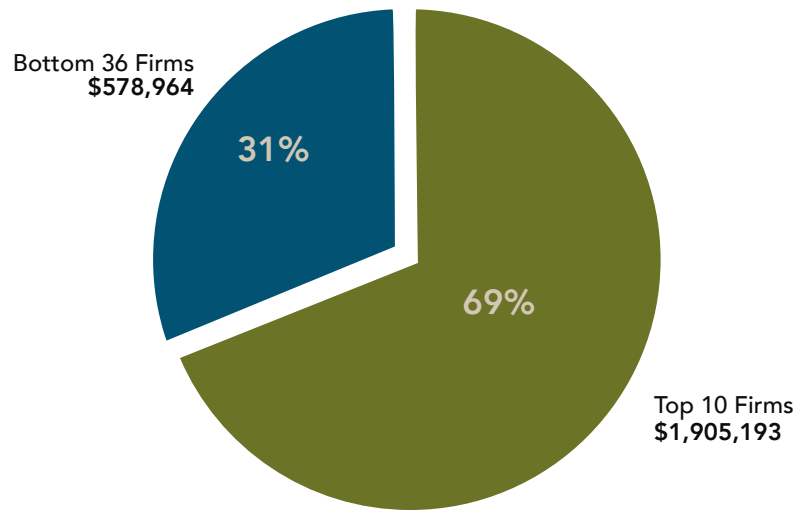


4. The Housing Authority awards relatively small contracts. The average EBE contract size is much smaller than for the analogous contracts awarded by city departments. The average HACM Goods and Services EBE contract is for \$10,300 (for the City it is \$54,800). For Construction, the figure is only \$8,600 compared to \$56,000 for the City. And for Professional Services the average EBE contract totals \$15,700, about one-third the City's average of \$50,600.

5. EBE contract dollars are even more heavily concentrated among a small number of firms than is the case with the City. Excluding Westlawn expenditures, the top 10 EBE firms receiving contracts during the analysis period saw 69% of all the EBE dollars awarded, while 36 firms shared the remaining 31%. This difference is demonstrated in *Figure 9*.

Figure 9:

**HACM
Contract Value
Distribution
by Firm**



Major Research Implications of Data Analysis Findings

The analysis presented is subject to many limitations, and thus it is difficult to draw definitive conclusions about the state of the inclusion program. However, the findings are valuable in that they provide a starting point for analysis and directions for future research. The main implications raised by the data collected include:

1. **Data collection is inconsistent across departments.** Because data are collected and analyzed inconsistently across departments, it is difficult to determine the effectiveness of the City's and HACM's inclusion practices. Current data collection doesn't provide information on successes or shortcomings, and therefore the analysis does not support program improvement.
2. **SBE contract awards are strongly concentrated among a small handful of firms.** For SBE firms, the concentration is even starker. The City should decide whether its resources should be distributed to award inclusion contracts more broadly or whether they should focus resources on those businesses most likely to become sustainable.
3. **The City is most successful in distributing its inclusion funding to small construction firms.** Professional services are underrepresented in SBE contract awards. Because departments find it difficult to distribute inclusion dollars to professional services firms, it may be worth easing requirements in this category.
4. **DPW and the DOA award nearly 97% of all SBE contract dollars.** Because these three departments account for nearly all SBE contract dollars, the City should consider focusing inclusion targets on these three departments or centralizing purchasing for the other City departments that report having difficulty reaching their goals.
5. **City departments appear to meet their inclusion targets by awarding a multitude of small contracts under \$25,000.** An SBE Preference Program could allow the City to set dollar thresholds and allow only SBE firms to pursue contracts under a particular amount.

Peer City Investigation

This peer city investigation is designed to demonstrate potential gaps in Milwaukee's inclusion programs and provide the City and community stakeholders with a road map for immediate improvements and innovative practices that can be implemented long-term. By researching peer cities, the City of Milwaukee can identify and replicate successful innovations in other business inclusion programs.

The process of identifying peer cities began with a review of United States Census data to identify cities similar to Milwaukee in demographics, population size, and their small business inclusion efforts (minority business enterprises or women business enterprises or MBE/WBE). Cities that had completed a disparity study in business inclusion or contracting efforts were given especially close scrutiny. Based on these criteria, four cities were identified:

- Chicago, Illinois
- Cleveland, Ohio
- Denver, Colorado
- Kansas City, Missouri

Data Collection on Peer Cities

To research inclusion practices in each peer city, interviews were conducted with departmental leadership and additional written information was requested. While some data in peer cities were not available, and other reports are still in process, a substantial amount of feedback was collected.

For each peer city, the summaries that follow provide information on the following topics (with some variation depending on programs):

- Program Overview
- Office Structure
- Small Business Certifications Available
- Annual Participation Goals
- Practices to Meet Inclusion Goals
- Gaps to Meet Inclusion Goals
- Monitoring & Compliance
- Disparity Study
- Innovations for Possible Adaptation/Adoption in the City of Milwaukee

PEER CITY: CHICAGO, ILLINOIS

Chicago has, by far, one of the most innovative business inclusion programs. The Chicago Business Inclusion program has been race/gender neutral for approximately fifteen years. In addition, Chicago was one of the first cities in proximity to Milwaukee to implement the B2GNow Contract Compliance Monitoring software. Lastly, there are several innovative programs that have been implemented within the last five years, as highlighted in the section below.

Department Structure

The Department of Procurement Services (DPS) is the contracting authority for the procurement of goods and services for the City of Chicago. DPS is led by the Chief Procurement Officer, who is the sole contracting authority for supply, service and construction type contracts. DPS is a service department, and its clients are the City's User Departments. The City's User Departments determine their particular needs and requirements. DPS assists them in articulating those needs for the marketplace and acquiring the goods and services necessary to meet those needs. Similarly, the User Departments are responsible for processing invoices for payment. DPS assists the User Departments in that effort by developing pertinent contract terms and conditions, and resolving disputes when they arise during the department's administration of their contracts. DPS is not responsible for the procurement of certain contracts, such as those for legal services, airport concessions, city council contracts, and other contracts for which city council has delegated authority to other city departments; it does coordinate with those User Departments as necessary.

In addition, DPS is identified as a complex comprehensive operational unit consisting of administration, public information (communications), legal, certification, compliance, contract administration, human resources and finance administration. DPS consists of a staff team of 91 Full Time Employees (FTEs): 13 FTEs in Administration, 57 FTEs in Contract Administration and 21 FTEs in Certification and Compliance.

DPS manages the Minority and Women-Owned Business Certification program, Disadvantaged Business Enterprises program, Business Enterprises Owned by People with Disabilities program, all under the auspice of certification and compliance, with a staff team of 21 full-time employees and an annual budget of \$1.6 million. The budget is composed of corporate funds and Chicago O'Hare Airport funds. Position titles include Manager, Senior Certification/Compliance Officer, Certification/Compliance Officer, Field Analyst, Clerk III, and Staff Assistant.

Small Business Certifications Available

The certification process is overseen by DPS and significant improvements have recently been made. There are five certifications available, as listed below. Each takes 60-90 days with ongoing customer service interaction between the City of Chicago and the business applicant.

- Airport Concessionaire Disadvantaged Business Enterprise (ACDBE)
- Business Enterprises owned by People with Disabilities (BEPD)
- Disadvantaged Business Enterprise (DBE)
- Minority Business Enterprise (MBE)
- Women Business Enterprise (WBE)

Chicago has developed a Phase Graduate Program that differs from traditional programs. In a traditional program, a small business is certified until it exceeds the North American Industry Classification System (NAICS) codes, at which time it graduates from the program. In Chicago's Phase Graduate Program, when a firm exceeds the NAICS codes, rather than graduating from the program all at once, it is phased out as follows:

- 1st year – 75% Credit
- 2nd year – 50% Credit
- 3rd year – 25% Credit

This phased approach allows the small business to build its capacity and transition to a sustainable model. The City sets annual participation goals for all contracts, as shown below:

- Construction – 24% Minority, 4% Female
- Goods – 16.9% Minority, 4.2% Female
- Professional Services – 25% Minority, 5% Female

2014 City-wide Participation Results

Payments made against contracts between January 2014 and September 2014, totaled \$531 million. Of the total payments made during this period, 29% went to MBEs and 7% went to WBEs, as compared to 29% MBE and 8% WBE in 2013. African American firms were paid \$61.7 million, or 12%, as compared to 11% in 2013. Hispanic firms were paid \$70.6 million, or 13%. Asian American firms were paid \$28.4 million, or 5%, as compared to 6% in 2013. Women-owned firms were paid \$30.4 million, or 6%, as compared to 7% in 2013.

Practices to Meet Inclusion Goals

Chicago's Mayor Rahm Emanuel has vowed that government transparency and innovation must both be a priority for his administration. He instructed all city departments to find creative ways to use technology to make city government more accessible. As a result, in 2014, DPS launched the Bid Tracker application, which is available on the City-wide Vendor Contract and Payment Search website. The application provides a graphic display that shows the point at which a bid is at in the contracting process, from advertisement to award.

In addition, in 2012, Mayor Emanuel announced that the City's entire \$11 million award from the settlement of a dispute with Allied Waste Transportation, Inc., would be exclusively used for the development and improved administration of the City's Minority-Owned and Women-Owned Businesses (MBE/WBE) programs and the encouragement of MBE/WBE participation. Since then there have been a number of innovative programmatic solutions that have begun.

Gaps in Meeting Inclusion Goals

The City of Chicago has struggled to ensure fraud prevention and fair implementation of its contract award programs. In 2012, it entered into an \$11 million settlement agreement with Allied Waste for MBE fraud. The Mayor dedicated all of the funds into the MBE/WBE program. In addition, it is challenging to gauge programmatic success in Chicago, because the results are not yet well documented. Chicago has done a great job in identifying and developing innovative programmatic solutions; however, most of the programming was implemented in the past three years, making it difficult to gauge its success at this time.

Monitoring/Compliance

The City of Chicago uses B2GNow and LCPTTracker software, which were both installed in 2010. Overall the City of Chicago is pleased with the B2GNow and LCPTTracker software systems; however there are concerns about the accumulated expenses associated with software implementation.

Disparity Study

The City of Chicago will execute a Disparity Study in 2015, reviewing construction contracting only. This is a normal routine for the City of Chicago, as statisticians are hired to look at the availability of contractors and identify appropriate goals on construction contracting. The cost of the Disparity Study is estimated at \$500,000.

Innovations

There are six programs in Chicago widely-considered innovative. This includes:

1. Target Market Program

The Target Market Program (TMP) was established in accordance with the Minority and Women Owned Business Enterprise (MBE/WBE) Procurement Program and is designed to promote contracting opportunities for MBE and WBE firms. Participation is limited to MBE, WBE and joint ventures consisting exclusively of MBE/WBE's or both. At least 50% of the dollar value of the TMP contract must be expended on MBE or WBE firms. The Department of Procurement Services (DPS) is responsible for the implementation and administration of this program. In order for a contract to be included in the Target Market Program, there must be at least three MBE and WBE certified firms in the given commodity area.

Of critical importance is the flexibility allotted to TMP contracts. Contracts identified for inclusion through TMP may be made available for solicitation (prior to advertisement in the case of contracts to be awarded by bid) to qualified MBE and WBE firms respectively. DPS may include in the TMP, contracts which are funded by the state or federal government and may vary the standards of eligibility (for example, by allowing the participation of Disadvantaged Business Enterprise to the extent necessary to comply with the requirements of the government agency supplying the funding.) In order to facilitate the performance of Target Market Program contracts by MBE and WBE firms, the Chief Procurement Officer may expedite payments under Target Market Contracts, may reduce retainages where appropriate and may pay the contractor a portion of the value of Target Market Contract at the time of award as an advance to cover start-up and mobilization costs.

If no satisfactory bid or response is received with respect to a contract that has been designated as a part of the Target Market Program, DPS may delete such contract from the Target Market Program.

2. Small Business Initiative

The Small Business Initiative is designed specifically to encourage small businesses to have an opportunity to participate in City-funded construction projects. The program, which is race and gender neutral, is exclusive to small businesses and is limited to construction projects that are under \$3 million in total cost. This provides a level playing field for small businesses to compete in the construction space, a key area in which larger companies are at an inherent advantage.

The program works to identify jobs that small business firms can do discreetly. This includes small construction jobs, parking lot resurfacing, fencing, etc. The program may also unbundle larger contracts and bid out some jobs separately to the certified community only. Certified firms compete against each other for these opportunities. Within two years of operation, the Small Business Initiative has awarded \$50 million in prime level opportunities.

3. Diversity Credit Program

The Diversity Credit Program is designed to increase the use of minority and women-owned businesses on contracts issued in the private sector. This is accomplished by providing Supplier Diversity participation credit on city contracts for contracts that are awarded in the private sector. For every \$3 of private sector contracts with minority and women-owned businesses, \$1 in credit is issued to the contractor, which can then be used

to provide up to 5% of a subsequent city contract. This encourages some of Chicago's largest construction contractors to work with minority- and women-owned businesses – not only in the public sector, but in the private sector as well.

The Diversity Credit Program began because too often contract awards for MBE/WBEs are “feast or famine.” They either win the contract and reap the benefits, or they lose it and have no work. The purpose is to diversify their portfolio of contracts in the public and private sector. This is further supported by a process where for every \$3 they spend within the private sector, the City gives them \$1 on the next bid. This program is not yet in ordinance. The most recent report on the program will be provided soon.

4. Equal Employment Opportunity for Construction Contracts

The McLaughlin Ordinance (Section 390 of Chapter 2-92) establishes Award Criteria Figure as the basis of award for bids on city construction contracts. The Award Criteria Figure represents an adjustment to the bid price on the basis of commitments made by the bidder to employ minorities and women as journey workers, apprentices, and laborers on construction jobs.

The ordinance states that, “For any construction project having an estimated contract value of \$100,000 or more, and which is directly supervised by the City of Chicago, the City shall have yearly equal employment opportunity goals for minorities and women for the categories of construction journey worker, apprentice and construction laborer.

- Journey worker and apprentice: at least 25% by minorities and at least 7% by women
- Construction laborer: at least 40% by minorities and at least 10% by women

In order to bring about the achievement of these goals, the chief procurement officer shall employ a canvassing formula in the bidding for and in the awarding of all contracts involving construction projects having an estimated contract value of \$100,000.00 or more and which are directly supervised by the City of Chicago. The canvassing formula is included in every solicitation document.

These goals shall also apply to construction projects subsidized in part with federal revenues pursuant to congressionally created grant programs, which are intended to encourage economic revitalization including improved opportunities for the poor, minorities, and unemployed within the municipality to which the grant was given (including, without limitation, Community Development Block Grants, Urban Development Action Grants and Economic Development Administration Grants), and shall be monitored by the supervising department. The City of Chicago may assess liquidated damages against a contractor for failure to meet its bid commitment.”

5. Apprentice Utilization Bid Preference

The City of Chicago offers a bid preference of up to 1% on City-funded construction contracts to contractors who have previously utilized union apprentices enrolled in, or that have graduated from, a construction technology-training program administered by the City Colleges of Chicago on City-funded construction contracts.

The amount of earned credit is proportional to the hours of union apprentice labor hours utilized. Contractors who utilize union apprentices enrolled in, or who have graduated from, a construction technology-training program administered by the City Colleges of Chicago to complete 5% to 10% of the on-site labor hours for a City construction project, will be issued an Earned Credit Certificate. This certificate may be used for a 0.5% preference on a bid for a future City-funded construction project. If the contractor utilizes those union apprentices to complete 11% to 15% of the on-site labor house, DPS will issue that contractor an Earned Credit Certificate for a 1% bid preference on a future bid for a City-funded construction contract.

As part of the contract closeout procedure, if the Chief Procurement Officer determines that the contractor has successfully met his or her apprentice utilization goals, “the Chief Procurement Officer shall issue an earned

credit certificate that evidences the amount of earned credits allocated to the contractor. The contractor may apply the earned credits as the bid incentive for any future construction project contract bid of equal or greater dollar value.

The earned credit certificate is valid for three years from the date of issuance and shall not be applied towards any future contract bid after the expiration of that period. The contractor may apply the earned credit certificate on multiple future construction projects contract bids during the three year period in which the certificate is valid, but may only receive one bid incentive for bid evaluation purposes on one construction project contract award.”

6. Mentor/Protégé Program

Established contractors willing to enter into a mentor/protégé relationship can be awarded up to 5% additional utilization credit. A prime contractor may earn up to five additional percentage points of participation credit towards the MBE/WBE goals on a contract by entering into a mentoring agreement with an MBE or WBE firm on that contract. The mentoring program must be approved by the Chief Procurement Officer and must be designed to assist the protégé firm to become self-sustaining, competitive and profitable in its line of work.

The mentoring program must be designed to develop the capacity of the specified MBE and/or WBE firm(s) in becoming self-sufficient, competitive and profitable business enterprises. The plan must stipulate the number of the mentor’s employees and protégé’s employees that will commit to spend during the term of the Project in training and consultation in substantive business areas including, without limitation: project controls, contract terms and conditions, invoice preparation, quality plan development, preparing and preserving project documentation, project safety, cash flow management, risk management as well as project specific mentoring. Mentoring sessions, written agreements, and a quarterly affidavit regarding the mentoring program must be kept on file, with additional copies sent to the Chief Procurement Officer.

PEER CITY: CLEVELAND, OHIO

Cleveland runs a strong program with several innovative practices and systems in place to ensure inclusion. Best practices include organizing procurement procedures under one department, ensuring ample staff and a sizable budget for management, implementing compliance monitoring software and LCB trackers, completing two disparity studies, and overcoming legal challenges relative to contracting. Their legal department is also involved in ensuring that inclusion programs are implemented in accordance with the law.

Office Structure

The Office of Equal Opportunity (OEO) was established in 1977. The Purchasing Department, OEO and Law work in collaboration, and every contract is touched by this collaboration. The mission of OEO is to promote equity of economic benefit for Clevelanders by ensuring compliance with contractor goals and requirements as required by Codified Ordinances. OEO also serves as the advocate for Community Benefit Agreements with private sector partners.

OEO has a staff team of 10 full-time employees and an annual budget of \$853,445. The budget is composed of general funds. OEO staff includes the Chief of Public Affairs & OEO Director, Compliance Manager, Contract Compliance Officer, and Certification Officer positions. In addition, there are four staff persons funded by the Enterprise departments (Cleveland Water Division, Cleveland Public Power, Department of Port Control, and Water Pollution Control). Those four positions are funded through the departments/divisions, but report to the Director of the Office of Equal Opportunity. The staff work principally on the departments that they are funded through, but also are assigned other duties as needed.

Small Business Certifications Available

There are three types of Small Business Certifications available:

- Cleveland Small Business (CSB):
- Minority Business Enterprise (MBE):
- Female Business Enterprise (FBE)

The CSB certification is limited to firms that operate and have offices within Cuyahoga County. As of 2013, the City of Cleveland expanded the contracting market area for both MBEs and FBEs to include the six contiguous counties to Cuyahoga. In 2013, there were 647 prime and subcontracting firms certified by the City of Cleveland representing 1,910 certifications. The Office of Equal Opportunity has seen an increase in the number of applications submitted with the introduction of its online application process (B2GNow).

Program History

Prior to 2007, the City of Cleveland operated as a race conscious program. In 2007, a Disparity Study revealed that Cleveland could have both a neutral and conscious program. As a result, the SBE certification was added as an opportunity to engage small businesses that were owned by white males. The study did identify a disparity in vertical construction. Therefore, vertical construction contracting is the only contracting area where race conscious goals can be set.

As of 2007, the primary location of the small businesses requesting certification has to be in Cuyahoga County, where Cleveland is located. Previously, the businesses could be located in four different counties. As a result of this change, there were firms that lost certification because they didn't have offices within the county. All of the firms were given an initial 18-month grandfather period, but then had to secure office space within Cuyahoga County or be decertified.

Once the race neutral program (Certified Small Business, or CSB) was put into place, it provided opportunities for non-minority-owned firms to become certified and increased the pool of certified small business firms. This created some opposition from those in the community that felt as though the playing field was no longer level and the new system was detrimental to minority-owned businesses.

Annual Citywide Participation Goals

Design Build	40% CSB
Horizontal Construction	30% CSB
Vertical Construction	15% MBE, 8% CSB, 7% FBE
Other	20% CSB
Professional Services	10% CSB

2013 Citywide Goal Results

In 2013 -- the most recent year that data is available -- Cleveland awarded contracts totaling more than \$288 million. Approximately \$142 million was awarded to construction firms; over \$89 million was awarded to firms providing other services; and professional services firms earned contracts totaling more than \$56 million.

In 2013, 46 Prime Contractors and 181 certified subcontractors were awarded more than \$183 million of contracts over \$50,000. Subcontracting awards accounted for \$68 million of the \$183 million awarded. Of these certified contractors, 178 were certified as Local Producer Enterprises (LPE) and received 63% of the City's 2013 contracting dollars.

Most businesses certified by the City of Cleveland carry multiple certifications. To ensure that percentages are accurate and total 100%, the companies are categorized into seven groups: CSB, CSB/MBE, CSB/FBE, CSB/MBE/FBE, FBE, MBE and MBE/FBE.

Practices to Meet Inclusion Goals

The philosophy for the City of Cleveland is to invest, buy and contract local. They began to aggressively penalize those that failed to meet the employment law. All monies collected were invested into the business inclusion program operation, which to date has allowed the department to purchase computers, B2GNow Compliance Monitoring Software, LCPTTracker (Workforce Compliance Software), and American Contract Compliance Association training/certification for all department staff. In addition, the City of Cleveland established a regional partnership to ensure that there was a uniform message to the contracting community.

Gaps in Meeting Inclusion Goals

Ten percent (10%) of contracts, which pre-date B2GNow, remain on a monthly reporting affidavit and are not tracked by B2GNow. However, by the Fall 2015, 100% of the contract monitoring efforts will be online and installed in B2GNow. They do not have penalties on goals, as goals are not requirements.

Monitoring/Compliance

B2GNow and LCPTTracker software were both implemented in 2012 and replaced the basic spreadsheets previously used for program monitoring. Most importantly, the City of Cleveland began training city staff and contractors on B2GNow and LCPTTracker in 2011, in advance of implementation. This act made it easier to transition to a completely online tracking and monitoring system. For contractors that had very large projects with several subcontractors, a team of city staff were on-site and performed trainings on how to utilize the compliance monitoring software.

Disparity Study

The City of Cleveland executes a disparity study every five years. As a result, the most recent disparity studies were complete and presented in 2007 and 2012. In 2007, the contracting community challenged the City of Cleveland because the program went from being solely race conscious to adding race neutral programming. Many in the contracting community felt as though the playing field wasn't as level anymore. In 2012, while the disparity study wasn't challenged, there were concerns cited that the study consultant used a report from another city and cast doubt on the findings. Ultimately, however, no one disputed the content, including the statistics relative to their market.

Innovation

There are three programs in Cleveland widely-considered innovative:

1. James H. Walker Turner Construction Training Program

The James H. Walker Construction Management Course is co-sponsored by the City of Cleveland, Turner Construction and Cleveland State University. The purpose of the program is to aid small construction businesses with business management skills such as procurement, accounting, marketing and other construction management areas that allow construction jobs to be efficient and prosperous.

The Walker program is a 12-session course with classes held once a week. The course is taught by experienced construction and management professionals. To date, over 1,500 entrepreneurs, including small and big business owners and trades people, have taken this course. In 2013, 32 individuals participated in the 44th graduating class, and over the past four years, 112 students have graduated.

2. Storefront Renovation Program (SRP) Certification

The Storefront Renovation Program helps fund the rehabilitation/renovation of primarily traditional storefront building exteriors. One-person shops or very small contracting companies usually complete these projects. Currently, there are 41 companies certified with the SRP designation, with the majority of them being multi-certified. These companies are usually smaller firms who did not have the documentation necessary to become certified as a CSB, MBE, or FBE contractor but did have the expertise. Through the SRP certification, the Office of Equal Opportunity can now track these smaller firms.

3. Cleveland Resident Employment Law (Fannie M. Lewis Law)

The Fannie M. Lewis Resident Employment Law states that for public construction projects within the city, 20% of the work hours performed on a given contract must be reserved for City of Cleveland residents and 4% of that must be reserved for low-income Cleveland residents. Under the employment law, these are requirements that have monetary penalties. The Office of Equal Opportunity is responsible for enforcing and keeping accurate records of penalties assessed to Contractors for failure to comply with the Cleveland Resident Employment Law. The amount penalized versus the amount collected varies due to penalties being paid in subsequent years and penalties being overturned during the appeal process. Since 2009, the Office of Equal Opportunity has collected \$214,521.53 from penalties assessed to firms.

PEER CITY: DENVER, COLORADO

The City of Denver's disadvantaged business programs are administered through the Division of Small Business Opportunity (DSBO) within the Office of Economic Development (OED). OED's vision for DSBO is to promote "the growth of Denver's small and disadvantaged businesses by providing access to government contracting opportunities." DSBO administers six disadvantaged business programs, four of which are established in the Denver Revised Municipal Code (DRMC) and two of which are established in federal law.

Office Structure

A Director who is appointed by the Mayor oversees DSBO. As of June 2014, DSBO employed 17 full-time employees with a budget of approximately \$1.5 million. DSBO is funded through certification fees and general fund monies. There are two fully staffed office sites located at the Denver Airport and in Downtown Denver. The position titles DSBO include Director, Supervisor, Certification Program Administrator, Compliance Coordinator, Certification Analyst, and Certification Technician.

DSBO certifies firms as eligible for six disadvantaged business programs and monitors these businesses for program compliance through its Certification and Compliance sections.

- **Certification Section** – DSBO's Certification Section assists disadvantaged businesses in obtaining certification in one or more of the City's programs by ensuring that the businesses have met established eligibility criteria. Employees within Certification Section also conduct training programs and certification workshops to help participants learn more about the procurement of construction-related contracting opportunities. Further, Certification Section personnel conduct community outreach activities to promote the disadvantaged business programs and contracting opportunities.
- **Compliance Section** – Compliance Section personnel monitor construction projects that have MBE/WBE goals to ensure that prime contractors utilize certified firms listed for participation. The section also enforces adherence to applicable city ordinances, equal employment opportunity regulations, and federal guidelines, and ensures timely payments to certified firms performing work on city contracts.

Small Business Certifications Available

The certification program consists of six different certification types administered by DSBO:

- M/WBE – Minority/Women Business Enterprise
- SBE – Small Business Enterprise
- SBEC – Small Business Enterprise Concessions
- EBE – Emerging Business Enterprise (New in 2014)
- DBE – Disadvantaged Business Enterprise
- ACDBE – Airport Concessions Disadvantaged Business Enterprise

DSBO continually strives to encourage qualified businesses that desire to work with the City to become certified, thereby increasing competitiveness and economic diversity. Through the past few years, the pool of certified firms has grown to 1,231. Many of the firms hold multiple certification types (MBE/WBE, SBE, DBE, ACDBE, EBE, SBEC). Certification takes 30-60 days and is a paperless process, so all documents are uploaded to B2GNow and emailed to the certification office.

The application fee is \$200 for a new certification and \$50 for a renewal. There is no application fee for the DBE program certification.

As of October 15, 2014, DSBO's webpage listed 939 firms certified as eligible to participate in one or more program category, totaling 1,910 individual certifications. Denver has never tracked how many certified firms have actually secured contractual relationships until now, as it was not mandated until 2014.

MBE & WBE Program Participation Goals

As required by ordinance, the City of Denver establishes both annual goals and project goals for firms certified under the City's MBE/WBE program. Annual goals are aspirational goals reflecting the annual aggregate participation of MBE/WBE-certified firms in city contracts. The table below reflects the aspirational goals in each of four categories and the goals achieved, as measured as a percentage of the aggregate payments to certified firms out of the total payments to projects with goals in 2014.

Table 4:

City of Denver Inclusion Goals and Performance		
Categories	Aspirational Goal	Goal Achieved
Construction	24.00%	23.11%
Professional Services	33.00%	27.05%
General Services	8.00%	9.14%
Goods	5.00%	10.13%

Note: Denver's inclusion efforts were recently audited. The results questioned the number of businesses certified and the number of MBE/WBE winning contracts through their relationships rather than more objective criteria, as well as identified a number of program gaps. Because Denver tracks outreach efforts rather than contracts, Denver is unable, at this time, to identify how many of its 800+ contractors have secured contracts.

Practices to Meet Inclusion Goals

Project goals, unlike annual goals, are established on a project-by-project basis by one of three Goals Committees, each of which is responsible for recommending MBE/WBE goals for different project types: General Construction, Heavy Highway Construction, and Professional Design and Construction Services. Each Goals Committee is made up of three minority representatives, three women representatives, and three majority firm representatives, all of who are appointed by the Director of DSBO. The Goals Committees meet regularly, as required by DSBO rules and regulations and recommend an individual project goal based on the nature of the work and the availability of certified firms that are qualified to perform the specific scope of work. This goal recommendation is then provided to the Director of DSBO for approval. Once approved, the goal is included as a requirement in the project. If the prime contractor does not meet the established M/WBE goal, it may demonstrate that it made a good-faith effort to meet the goal. If the firm does not sufficiently demonstrate to DSBO that it made a good-faith effort, the firm may ultimately be subject to sanctions.

Gaps in meeting inclusion goals

In the areas of construction and professional services, there aren't enough certified firms that can provide the specific specialized services that the City of Denver is procuring.

Monitoring/Compliance

DSBO utilizes B2GNow to manage and track compliance for all of the City's disadvantaged business programs. DSBO also utilizes B2GNow to report on program performance. B2GNow houses information on certified firms and incorporates vendor access to make compliance with the disadvantaged business programs more efficient.

Disparity Study

In July 2011, MGT of America, Inc., was retained to conduct a Comprehensive Disparity Study for the City of Denver and provide current data on the Division of Small Business Opportunity (DSBO) programs. The study analyzed city procurement trends and practices from January 1, 2005 through December 31, 2011. The study also evaluated the impact of race- and gender-neutral remedial efforts and evaluated various options for future program development. The study provided evidence to support continuing the Denver MBE/WBE program and extending the program to selected goods and services studied in the report. It commended the City for starting a Defined Selection Pool program for SBEs, and recommended that the City focus on increasing MBE/WBE utilization through its SBE program in general and Defined Selection Pool Program in particular. It also highlighted best practices that the City had adopted including establishing an SBE program, collaborating with business development organizations, developing project goals that vary from aspirational goals, placing no goals on some projects, avoiding rigid quotas, using waivers, and holding regular program reviews.

Innovation

There are three programs in Denver widely-considered innovative:

1. Certification Trainings

In order to provide enhanced customer services to Denver's contracting community, DSBO facilitates monthly certification training sessions that are free and open to the public. The intent of these trainings is to provide enhanced information for businesses that wish to be certified or want to learn more about DSBO programs and opportunities. In 2014, DSBO certification analysts trained and met with more than 90 individuals representing companies or firms throughout the Denver local market.

2. Bonding Training

In cooperation with the U.S. Department of Transportation, DSBO has assisted numerous firms to become prepared for bonding and other technical aspects of doing business. This training program provides one-on-one sessions with local surety bonding professionals to help firms understand what is necessary to complete a bond application. In 2014, the bonding class graduated 11 participants. The effort will expand further in 2015, as the bonding classes become part of the DSBO's technical assistance programs for certified firms.

3. Mentor Protégé Program

In 2014, the City of Denver mandated that the DSBO develop a Mentor Protégé program. At the present time, the Mentor Protégé program is in its infancy stage and is scheduled to begin in early 2016.

PEER CITY: KANSAS CITY, MISSOURI

Office Structure

The Human Relations Department (HRD) is charged with creating opportunities for minorities, women-owned businesses, and new business development by protecting citizens' civil rights, prevailing wages compliance, Section 3 federal requirements, and providing economic opportunities for all small businesses. HRD's partnerships with corporate and public entities assist in fostering these opportunities in various procurement sectors. Ultimately, HRD's goal is to build subcontractors into prime contractor status through supportive programs including networking events, such as the Kansas City Government Contracting and Procurement forum, and the Small Local Business Enterprise program.

HRD activities are managed through the following divisions:

- 1. Certifications:** HRD's "Online MWDBE Certification Application System" is now active, and companies can submit new applications and annual applications online, request scope upgrades, and monitor their application through the certification process.
- 2. Civil Rights Division:** The Civil Rights Division enforces the City's Civil Rights Ordinance, which protects citizens against discrimination in employment, housing, and public accommodations on the basis of race, color, national origin or ancestry, sex, religion, disability, age, sexual orientation, familial status, marital status and gender identity. The ordinance is substantially equivalent to state and federal laws.
- 3. Construction Workforce Section:** The Construction Workforce Section tracks utilization of minorities, women, and Kansas City, Missouri (KCMO) residents working on construction projects throughout the city. In addition, the section is responsible for developing methods to increase recruitment, training, mentoring, and retention of minorities, women, and KCMO residents on city construction contracts throughout the Kansas City MSA. The Workforce Preparedness Programs and Apprenticeship Programs encourage and establish goals for city contractors in retaining such workers.
- 4. Contract Compliance Section:** The Contract Compliance Section is responsible for monitoring, training, and assisting construction contractors with Prevailing Wage requirements, Davis-Bacon Act, and Housing and Urban Development Act of 1968, as amended (HUD) Section 3 monitoring. The City signed a contract with My LCM, software, prevailing wage-tracking system that will increase reviews of prevailing wage contracts by 90%. This software will allow HRD to increase the number of site visits, worker interviews, and office efficiency. The pilot program was rolled out in February 2014. Full implementation of the program launched in FY 2014-15.
- 5. Section 3 Office Division:** The Section 3 Office administers federal requirements related to the HUD Act of 1968, as amended. The program fosters local and neighborhood economic development and increases individual self-sufficiency. The Section 3 Office certifies businesses and individuals as Section 3 Business Enterprises or Section 3 Workers.

Overall, HRD is comprised of 26 full-time employees with an annual budget of \$1.8 million. There are two full-time certification officers and one part-time person in the MBE/WBE Division with an annual budget of \$214,683. In addition, there are eight full time and two part time compliance staff members that comprise workforce and contract compliance areas, with annual budget of \$688,043.

Small Business Certifications Available

There are three small business certifications available:

- Minority Business Enterprise (MBE)
- Women Business Enterprise (WBE)
- Disadvantaged Business Enterprise (DBE)

2013-2014 Participation Results

During the fiscal year for which the most recent data is available (2013-14), the City awarded 477 prime contracts valued at \$280,191,071. Out of the 477 prime contracts, 274 prime contracts valued at \$247,592,580 were eligible for MBE/WBE or SLBE participation. Not all contracts are eligible for MBE/WBE and SLBE participation, including sole sources, emergencies, city manager waivers, SLBE non-responsive, lead abatements, leases, cooperative agreements, demolitions, non-municipal, tenants, art purchases, and specialty services.

In the 2013-14 fiscal year, the dollars awarded to MBE/WBE firms on KCMO city contracts were 24% of the eligible minority contract dollars awarded. The majority of these dollars were awarded to subcontractors in construction, professional services, and purchases. In construction, MBE/WBE firms were awarded \$32,140,443 or 22% of the \$145,716,835 spent by KCMO. In professional services, MBE/WBE firms were awarded \$17,615,592 or 28% of the \$63,049,845 spent by KCMO. In purchases, MBE/WBE firms were awarded \$9,725,545 or 25% of the \$38,825,900 spent by KCMO.

In FY 2013-14, MBE/WBE prime firms achieved 3.8% participation, and MBE/WBE subcontractor firms achieved 20.2% participation on subcontracting work throughout the city. MBE/WBE firms received 40 prime contracts valued at \$9,401,497. MBE/WBE minority subcontractor firms received 510 contracts.

Five subcontracts were awarded that were valued at \$50,080,082. The City awarded M/WBE prime contracts as follows: (a) General Services - 13 contracts valued at \$3,568,699; (b) WSD - 13 contracts valued at \$2,841,502; (c) Public Works - 7 M/WBE contracts valued at \$2,667,474; and (d) Parks and Recreation - 5 contracts valued at \$127,533. Although most projects were bid as "lowest and best," departments do have discretion on professional services contracts.

Practices to Meet Inclusion Goals

Kansas City has a very efficient small business certification process. It normally takes 45-50 days or less. Small business firms can apply online through B2GNow, or hard copy documents can be submitted directly to the office. Once the application is submitted, the Intake Officer will do a preliminary review to ensure that the application is complete. If it is complete, the file is assigned to a Compliance Officer. If not, the client has 15 days to submit all appropriate documentation. Once assigned to a Compliance Officer, a letter that provides processing status and timeframe is mailed to the client. An on-site visit takes place as well.

The office also executes a host of quarterly training opportunities for certified small business firms. An Annual Contracting Forum occurs during the spring months, which government agencies, general contractors and certified small business firms are invited to attend. Overall, the Annual Contracting Forum is an opportunity for all parties to coordinate on upcoming opportunities and to network.

Gaps in Meeting Inclusion Goals

The biggest challenge that Kansas City faces is to develop more minority-owned firms to bid as Prime Contractors. The Department Head stated that 10 strong General Contractors are needed, and currently only five minority-owned firms have the ability to bid on contract amounts between \$3 million - \$5 million.

Monitoring/Compliance

To ensure that M/WBE firms listed on city contracts are performing and are actively participating as designated in the Contract Utilization Plan (CUP), HRD actively monitors city projects through on-site visits, monthly reporting, and contract payment verification activities. These monitoring activities provide assurance to contractors, subcontractors, and city personnel that the program requirements are being accomplished, and the M/WBE firms are growing their business capacity through commercially useful activities. HRD's internal tracking system provides online reporting and verification that requires firms to report actual participation by both the prime and subcontractor, thereby creating transparency in the contracting process.

Disparity Study

The City of Kansas City has executed a disparity study in 1996, 2005, and will again in 2016. In 2005, it was identified that there was a disparity between the availability of minority- and women-owned businesses and their utilization on city contracts.

Innovation

1. Small Local Business Enterprise Program (SLBE)

There are six programs in Chicago widely-considered innovative. The Small Local Business Enterprise Program (SLBE) is designed to foster minority and small business growth through competitive bidding among peers and the creation of a sheltered market. The SLBE program operates in a race and gender-neutral environment and is designed to include all segments of the region's business community. The program is open to participants without regard to race, color, sex, religion, national or ethnic origin, age or disability. The SLBE program only applies to certain eligible city contracts in which the successful small business awardees function as the prime contractor, and the contracts will not require minority and women goals. All firms are evaluated annually.

Note: the SLBE program does not replace the MWBE program. The SLBE program assists firms in acquiring prime contract work with the City and facilitates company growth. All other Kansas City contracting requirements are applicable, such as insurance, bonding, performance, and expertise.

2. SLBE Water Service Department Engineering Professional Service Program

The SLBE Water Service Department Engineering Professional Service Program (WSDEPS) is designed to foster minority and small business growth through competitive bidding, and the creation of a sheltered market. The SLBE – WSDEPS program operates in a race and gender-neutral environment and is designed to include only the professional services associated with architectural, engineering, and related design services in the City's Water Services Department. The program is open to participants without regard to race, color, sex, religion, national or ethnic origin, age or disability. The SLBE-WSDEPS program will only apply to Water Service Department Engineering Professional Service contracts in which the successful small business awardees will function as the prime contractor, and the contracts will not require minority and women goals. All firms, once approved, are evaluated annually for both SLBE and MWBE eligibility.

Major Research Implications from the Peer City Review

Many lessons can be learned from a close review of the best practices of peer cities, and the City of Milwaukee should look to the innovative programs highlighted above as model programs. Among the major implications from this review are:

1. **A consistent face is needed for the business inclusion program.** The City of Milwaukee's main inclusion activities for small businesses are managed through the Small Business Enterprise (SBE) program. However, in actuality, each department implements its procurement, and monitoring activities differently. These differences create confusion for small businesses seeking to conduct business with the City. A consistent and streamlined process is needed to help businesses navigate the inclusion program. Peer cities do this best by consolidating inclusion activities under the authority of one department and conducting outreach to the business community to provide information on how to access and navigate their procurement process.

2. **Consistent monitoring is needed to inform program implementation.** Because contracting and business inclusion efforts are fragmented throughout city departments, it is difficult to manage the monitoring and compliance efforts. All peer cities have implemented standardized monitoring practices and use tracking software for data collection. This allows peer cities to collect and analyze data to inform decision-making on program improvement and ensure compliance.

3. **Adequate staffing and resources are needed to implement innovative inclusion programs:** The City of Milwaukee's existing 4-team staff structure limits its ability to implement innovative programs such as small business capacity building. In addition, the office is limited in its ability to conduct outreach, training, and field compliance based on staffing and budget constraints. A detailed comparison of staffing and budgets for each peer city is provided in the Staffing and Budget Implications section. It is important to note that in some cities, such as Cleveland, program activities are funded with monies collected through compliance enforcement.

4. **Strong partnerships create a stronger small business community.** Peer cities collaborate with other agencies to create a climate that supports small business success. The core mission of the City of Milwaukee does not necessarily include business development activities. However, the City is in a unique position to create opportunities for small businesses to thrive. By forming creating partnerships with agencies dedicated to small business support and workforce development, the City can leverage its commitment to small businesses to create a supportive regional climate.

Recommended Actions to Implement a Model Inclusion Program

The City of Milwaukee inclusion program is built on a solid framework with many elements in common with successful peer cities. Through the efforts of OSBD, the City has made several positive strides in seeking to improve its service to the small business community and meet the inclusion goals. As noted earlier, these initiatives include the Small Business Capacity Building Program, Revolving Loan Program and the activities associated with Small Business Week. These innovations serve to lower barriers to participation in City contracting for certified small businesses.

The City also seeks to identify legally-enforceable affirmative action strategies to increase the inclusion of minorities and women in contracting opportunities. Best practice research and the peer city review reveal that nationally SBE programs use several methods to encourage and increase minority and women participation in public and government contracting. These procurement methods, many of which are included in the recommendations, are known as “affirmative procurement initiatives” and include:

- Mandatory subcontracting goals
- Sheltered markets (set-asides)
- Bid evaluation preference points
- Mentor-protégé programs
- Bonding waivers
- Matchmaking events

The City of Milwaukee currently provides mandatory subcontracting goals and bid evaluation preference, in addition to the programs cited above. The model inclusion program outlined in the following section recommends sheltered markets, a mentor-protégé initiative and other programming solutions to building small businesses, along with improved monitoring and initiatives to build strong partnerships with organizations serving minority and women business owners.

Based on the evaluation, the following model inclusion program was developed to strengthen the City of Milwaukee’s existing practices, amplify and reinforce elements that are proving beneficial, and maximize opportunities for improvement. Eight recommended actions, as detailed below, were developed to aid the City in implementing a model program.

Stakeholder Feedback on Model Inclusion Program

The project team presented draft actions to implement the model inclusion program to an audience of small business owners and representatives from community organizations and city staff. The facilitated presentation took place at the City’s Small Business Sustainability Conference, an event associated with Small Business Week. Two dozen stakeholders provided comments on the draft actions, and then assigned a priority to each action based on their perceptions of which would make the most difference to their own experience working with the City. Based on the comments received at the Small Business Sustainability Conference and in further discussions with city staff and external stakeholders, the team expanded and further developed the Actions to Implement a Model Inclusion Program. Stakeholder comments are summarized for each of the recommended actions below.

Actions to Implement a Model Inclusion Program in the City of Milwaukee

This section outlines eight actions for changes to the City of Milwaukee’s inclusion program. It details the benefits of each, provides peer city examples, summarizes stakeholder feedback, highlights the issues addressed by the actions, and concludes with specific considerations for implementation.

1. Bring City Contracting Under One Roof

By implementing centralized contracting, all city departments could request a contract for goods or services, and a single department would ultimately be responsible for development, letting, awarding, administration and monitoring of that contract. As a result, all city departments would request contracts from one contracting authority.

Peer City Best Practices

Milwaukee's peer cities centralize contracting. In the City of Cleveland, the Purchasing Division is responsible for all citywide contracting efforts. Purchasing is a division of the Office of Finance, and the office works hand-in-hand with the Office of Equal Opportunity and Law. The Office of Equal Opportunity is divided into a three-team structure consisting of small business certification, contract compliance (monitoring) and evaluation.

In the City of Chicago, the Department of Procurement Services (DPS) is the contracting authority for the procurement of goods and services for the City of Chicago. DPS is a service department, and its clients are the City's user departments. The City's user departments determine their own specific needs and requirements, and DPS assists them in articulating those needs for the marketplace and acquiring the goods and services necessary to meet those needs. Similarly, the user departments are responsible for processing invoices for payment. The DPS assists the user departments in that effort by developing pertinent contract terms and conditions and resolving disputes when they arise during the department's administration of their contracts. The DPS is not responsible for the procurement of certain contracts, such as those for legal services, airport concessions, city council contracts, and other contracts for which city council has delegated authority to other city departments; it does coordinate with those user departments as necessary.

Stakeholder Feedback

This action elicited a positive response, with stakeholders feeling that it would simplify and clarify the processes of working with the City, as well as reduce the variation in contracting and bidding requirements. However, some concern was expressed that this action could lead to an even smaller number of people making contracting decisions based on their personal and professional relationships with small businesses. This action received 29% of priority votes.

Modified Action Recommendation

When presented to community stakeholders, a modified action was also recommended. Because centralizing contracts would require significant realignment of city departments and procedures (see Implementation Considerations below), the City of Milwaukee could keep contracting authority in various departments as currently structured while enhancing OSBD's ability to function as a centralized contract monitoring and compliance office to oversee these activities. This office would be responsible for monitoring and ensuring compliance for all City of Milwaukee contracts and could be tasked with creating and monitoring consistent processes for contracting within each department. The office could also serve as a point of contact for the public and small business owners who have questions or concerns about the contracting process. Furthermore, such an office could be tasked with implementing Action 3: Monitor for Continuous Improvement. Though many of these functions fall under the current responsibility of OSBD, many stakeholders identified gaps around monitoring of contracts and consistency of procurement and contracting processes.

If these modifications were made, OSBD could become the clearinghouse for all contract monitoring and compliance for inclusion purposes. This would likely require a formal policy change, and an expansion of staffing for the office, as inclusion monitoring would become a central role. OSBD is a section of the DOA – Business Operations Division (BOD) – consistent with the recommendation reflect to correct "Office Structure" in the Statutory Framework section of the report and any other area of the report does not reflect the correct office structure. OSBD was not a program of the Procurement Services Section.

Staff from the various city departments currently engaged in monitoring inclusion performance would conceivably be freed from these duties. Implementing *Action 1* would centralize all aspects of contracting that relate to inclusion of small businesses, but still allow the various department to handle other aspects of contracts and bidding.

Issues Addressed by Action 1

Centralizing city contracting would address several key issues identified by both internal and external stakeholders. For city staff, it could simplify the onerous processes associated with SBE requests for proposals, bid requests, awards, legal contracting and compliance monitoring. Currently, various departments route these tasks through individuals who follow inconsistent processes across departments. Centralizing all contracting would benefit the departments by relieving their staff of these duties while simultaneously standardizing the process and monitoring and reporting. This action would, therefore, also contribute to the success of Action 3: Monitor for Continuous Improvement. For successful implementation, however, the City would need to ensure adequate levels of staffing for whichever department housed this expanded contracting role.

From the point of view of elected officials, centralized contracting could bring benefits such as increased transparency to the contracting process and an improved ability to focus on the effectiveness of the City's inclusion practices. For external stakeholders and small businesses, centralizing contracting would create a "one stop shop" for all activities associated with contracting, reporting and monitoring. Small business owners, in particular, find this notion appealing, as they report a decided level of confusion when dealing with the OSBD, which currently has no direct contracting authority, and the various city departments currently administering contracts. When presented to stakeholders at the Small Business Week conference, this idea ranked as "most important" for business owners. They feel that if contracting were centralized, they would always know where to go with questions and concerns.

Implementation Considerations

- Appropriate location for this service
- Staffing and resources, including inter-departmental communication and reporting structure
- A moderate budget impact, at least during implementation
- Implementation could require several years. A gradual phasing-in should be considered
- Potential for a perceived loss of authority for large departments

2. Create or Join a Unified Certification Program

The City of Milwaukee should reconsider being a part of a Unified Certification Program (UCP) or outsourcing small business certification. Currently, Milwaukee County's Community Business Development Partners Department (CBDP) works to determine the eligibility of small businesses to participate in Milwaukee County's small and disadvantaged business opportunity program initiatives. CBDP is a certifying member of the Wisconsin Unified Certification Program (UCP), a cooperative of 24 different Wisconsin cities, counties, and airport authorities that benefit from United States Department of Transportation (USDOT) funding. The UCP is responsible for the Airport Concession Disadvantaged Business Enterprise (ACDBE) certification and the Federal Disadvantaged Business Enterprise (DBE) certification of small businesses throughout the state. Once a firm receives the statewide ACDBE or DBE certification from the UCP, there is no need to obtain the certification from any other entity in the State.

The City should consider the advantages of joining the UCP cooperative or outsourcing small business certification to the UCP. By outsourcing the small business certification component, the City of Milwaukee would free up considerable time and resources from the Office of Small Business Development, which could be used more effectively to focus on relationship building and contract compliance.

Peer City Best Practices

In Milwaukee's peer cities, certification processes are simplified. The City of Chicago is a good example of how federal, county and city government can cooperate to manage small business certifications. At the present time, the City of Chicago offers five small business certifications:

1. Airport Concessionaire Disadvantaged Business Enterprise (ACDBE)
2. Business Enterprises owned by People with Disabilities (BEPD)
3. Disadvantaged Business Enterprise (DBE)
4. Minority Business Enterprise (MBE)
5. Women Business Enterprise (WBE)

The City of Denver's disadvantaged business programs are administered through the Division of Small Business Opportunity (DSBO), which administers six disadvantaged business programs, four of which are established in the Denver Revised Municipal Code, and two of which are established in federal law. The small business certifications offered include:

1. Minority/Women Business Enterprise (M/WBE)
2. Small Business Enterprise (SBE)
3. Small Business Enterprise Concessions (SBEC)
4. Emerging Business Enterprise (EBE New in 2014)
5. Disadvantaged Business Enterprise (DBE)
6. Airport Concessions Disadvantaged Business Enterprise (ACDBE)

Stakeholder Feedback

Stakeholders felt that this action could provide credibility to certified businesses (with non-government customers). However, it was not a priority action, receiving 0% of priority votes.

Modified Action Recommendation

While this action could enable the City to serve small businesses much more transparently and efficiently, its implementation could also lead to a loss of control over the quality of the certification process and over attaining the City's goals specific to fostering a culture of small business support. Additionally, joining a unified certification program could be challenging due to the likelihood of having to meet Federal requirements, which may be difficult due to the City's focus on small rather than disadvantaged businesses. An alternative approach would be, at a minimum, to address perceptions of a complex and burdensome verification process by implementing a pre-certification program administered by OSBD. Through such a program, businesses interested in becoming certified SBEs could be given training and guidance in the basic requirements of certification. This would enable small businesses to develop a relationship with OSBD and become better prepared to enter into contracts with the City with a better understanding of the bid and proposal process. This would likely require an evaluation of staffing requirements for OSBD to take on a significant new initiative.

Issues Addressed by Action 2

Small businesses currently have an array of certification options open to them, each perceived to confer differing levels of benefits. In general, certification by the City of Milwaukee is seen as complex, difficult, and bureaucratic without bringing value (as with any agency, certification in the City does little to guarantee business with the City). Many businesses frankly do not understand the differences between the city, county, state, federal and MMSD certifications.

At the same time, city staff report that the pool of qualified small businesses certified to pursue SBE contracts is too limited. A unified certification program could alleviate these difficulties, as well as allow for simplified interactions with the public. It would furthermore address the misperception among some small business

owners that city certification means that a business must be located within the city limits. Unified certification is likely to also be viewed as highly valuable to businesses, allowing them to compete for work in numerous venues. Lastly, it would allow opportunities for the existing OSBD staff to be more actively engaged with monitoring and compliance of city contracting.

Implementation Considerations

- Cost savings for the City if certification is outsourced to another agency
- Transitioning city SBEs to a unified certification program may be difficult for some businesses if the thresholds and requirements differ
- Staff training required
- Potential partner agencies may be guided by different regulations and requirements that make unification difficult or burdensome.

3. Monitor for Continuous Improvement

The City of Milwaukee should work to have all contracts monitored through B2G Now software, and all employment labor requirements tracked and monitored by the LCPTracker software. This will create a paperless, streamlined system for monitoring and tracking contracts and labor requirements. If inclusion monitoring and compliance are centralized under OSBD as described in Action 1, this action could be implemented simultaneously. It would require an evaluation of staffing resources necessary to undertake a monitoring program as described here.

By implementing this recommendation, the City can identify opportunities for ongoing improvement and prepare for a possible disparity study. Like Milwaukee, many municipalities do not collect and record the data necessary to survive an inevitable challenge to a disparity study and the judicial scrutiny that follows. The recommendations in this report identify best practices from peer cities to improve contracting opportunities for small and minority and women-owned businesses within race-neutral programs. However, if the City of Milwaukee chooses to implement legally enforceable affirmative action goals in the future through a race- or gender-conscious program, it will require a defensible disparity study based on accurate data.

In order to maintain any race or gender preference program, governmental agencies must conduct and maintain disparity studies. Though costly, if the disparity remains and leadership determines it important, a city must undertake a disparity study every five to seven years until the disparities have been significantly decreased as a result of the affirmative action programming.

Peer City Best Practices

All of the peer cities identified utilize B2G Now. The City of Cleveland states that 10% of contracts that predate B2G Now remain on a monthly reporting affidavit, and are not tracked by B2GNow. However, by Fall 2015, 100% of contract monitoring efforts will be online in B2GNow. Milwaukee's peer cities all undertake regular disparity studies, and the peer cities offer inclusion programs that are at least partly race- or gender-conscious in order to address barriers to participation experienced by this subset of small businesses that has historically found it difficult to compete for public sector contracts.

Stakeholder Feedback

This action was seen as adding value to the City's inclusion program if it could be used to make the contracting and selection processes more transparent for businesses by providing information on successful and unsuccessful bidders and tracking the costs involved in changing vendors. This action received 10% of priority votes.

Issues Addressed by Action 3

Currently, compliance monitoring is implemented in a variety of formats, with little consistency across departments. Most monitoring is reported on a monthly basis. Department contracting activities are reported

on a monthly basis. Although it's contradictory to the ordinance, monthly reporting allows OSBD to better manage agency contracting activities. Although OSBD does collect and analyze other data, it is typically not reported in a fashion that allows for analysis of city practices for effectiveness and equity. It is important to note that with the exception of frequency noted above, monitoring in this fashion does meet the requirements of the municipal code. However, implementing uniform procedures by increasing and deepening the use of monitoring software will allow more meaningful evaluation of the inclusion program. If undertaken in conjunction with centralizing city contracting, this step would have the potential to enable annual or semiannual analysis of the City's efforts. As the City proceeds to more narrowly define the objectives of its inclusion program, consistent monitoring will allow for ongoing evaluation of effectiveness and efficiency. For the public, bringing the monitoring process online could also alleviate the perception of red tape and paperwork that business owners currently report as onerous.

Implementation Considerations

- Additional software costs associated
- Staff training required, which could be simplified with the centralization of contracting.
- Business owner training required
- Requires the development of an evaluation framework in order to identify opportunities for improvement and gaps in existing practices
- Potential moderate budget and staffing impact

4. Create a Small Business Preference Program

The City of Milwaukee can develop a program that levels the playing field for small business firms. Through the development of a Small Business Preference Program, contracts below a particular pre-determined dollar threshold would only be available to certified SBEs. Non-SBEs would not be eligible to bid on these opportunities. The Small Business Preference Program would not replace SBE requirements on larger contracts. Instead, it would create a pool of contracts for small businesses that would more likely be within their capacity to deliver.

Peer City Best Practices

In the City of Chicago, the Small Business Initiative is designed specifically to encourage small businesses to participate in City-funded construction projects. The program, which is race and gender neutral, is exclusive to small businesses and limited to construction projects that are under \$3 million in total cost. This provides a level playing field for small businesses to compete in the construction space, a key area in which larger companies are at an inherent advantage. The Chicago program:

- Works to identify projects that small business firms can deliver;
- Focuses on small construction jobs, parking lot resurfacing, fencing, etc.;
- Unbundles larger contracts and bids out jobs separately to the certified community only; and
- Enables certified firms to compete against each other for these opportunities.

Stakeholder Feedback

This action was very popular with small business owners. They would like to see such a program for all contracting areas, not just construction. They felt that project thresholds must be carefully considered, as teaming among SBEs with little project management experience could be difficult. It was suggested that businesses could be consulted in the certification process to identify their contract size thresholds. Finally, this program should consider costs for bonding and insurance, as these rates rise with project size. This action received 33% of priority votes.

Issues Addressed by Action 4

Allowing only certified SBEs to compete for contracts beneath a particular dollar threshold could provide significant benefits by both increasing the ability of a broader range of small businesses to successfully pursue city contracts and improving the perception of the program's effectiveness in the small business community. Many businesses feel that they cannot compete against larger firms, which enjoy the benefits of scale. This is particularly true for goods and services contracts, which are awarded solely on the basis of cost among responsive bidders. Small business owners were particularly attracted to this action item when it was presented. A small business preference program would also incentivize team-building among certified SBEs, who may not have the capacity to pursue city projects alone. However, implementing this action may be difficult due to the City's low-bid requirements. A review by city legal staff is strongly recommended.

Implementation Considerations

- May require Common Council action
- Varying staff and budget impacts depending on centralization of contracting
- May require the development of a risk assessment tool to build confidence that small businesses can fulfill contracts
- May raise contracting costs due to the inability of small businesses to take advantage of economies of scale

5. Create a Business Capacity-Building Initiative with a Phased Graduation Program

The City can develop a program to incentivize business growth and professionalization by phasing in graduation from the small business certification program. This would be most powerful if implemented in conjunction with a targeted business capacity-building initiative, which would include the mentor-protégé program described in Action 6. A variation of this program could include extending eligibility for graduating businesses if they become a mentor in the mentor-protégé program. If implemented in conjunction with a targeted small business capacity building program, this recommendation would encourage small businesses to diversify their client bases and become more sustainable. As with the other organizational and programmatic initiatives, this action would require an evaluation of appropriate levels of staffing at OSBD.

Peer City Best Practices

Milwaukee's peer cities in some cases move to phase businesses out of the certification program as they grow. This is typically based on the federal small business size guidelines, which are adjusted by industry in the North American Industrial Classification System (referred to as the NAICS standards). These standards are based on revenue and adjusted across industry averages. The City of Chicago has developed a Phased Graduate Program, in which a small business is certified initially and can participate in the program until NAICS standards are exceeded. At that point, the program's benefits are phased out for the participating business. Chicago's system uses a gradual approach. For the first year following successful growth beyond the NAICS standard, the business receives a 75% credit; the second year, the credit is reduced to 50%; and in the third year, it is reduced to 25%.

Stakeholder Feedback

Small business stakeholders were wary of a phased graduation program, feeling that it could penalize them for successfully building and sustaining their businesses. They suggested that it could inhibit growth if businesses lacked confidence that they could make up reduced public work as they grew in revenue. Based on these comments, the team adjusted this action to include business capacity building efforts. This action received 0% of priority votes.

Issues Addressed by Action 5

If at a policy level, the City determines that it is reasonable to craft an inclusion program that contributes to building sustainable businesses which are prepared for growth, a phased graduation program for SBEs combined with targeted business capacity building programming could address the concerns expressed by both staff and business owners. These stakeholders are concerned that the current structure provides no incentive to promote small business growth. A graduation program could focus efforts on the businesses most likely to become sustainable, while still providing space for new firms to enter the program. It would also address the perception that city departments “play favorites,” working with only a very small number of eligible SBEs, a notion that is to some degree borne out by the contracting data analysis.

Implementation Considerations

- Potential moderate staffing and budget impacts for OSBD
- Potentially requires outside expertise to develop and manage the program
- Business owner training required

6. Develop a Mentor-Protégé Program

As a key component of developing an overarching Small Business Capacity Building program, the City of Milwaukee should develop a Mentor-Protégé program. This program would connect small businesses with established business partners in a formal relationship, in which the protégé firm can learn about established business practices and take advantage of professional connections.

Peer City Best Practices

Milwaukee’s peer cities utilize similar programs with great success. The City of Chicago currently offers a Mentor-Protégé Program, in which established contractors willing to enter into a mentor-protégé relationship can be awarded up to a 5% additional utilization credit. A prime contractor may earn up to five additional percentage points of participation credit towards the MBE/WBE goals on a contract by entering into a mentoring agreement with an MBE or WBE firm on that contract.

In Chicago’s mentoring program, mentoring plans must be approved by the Chief Procurement Officer and must be designed to assist the protégé firm in becoming self-sustaining, competitive and profitable in its line of work. The plan must stipulate the number of hours the mentor’s employees and protégé’s employees will commit to spend during the term of the project in training and consultation in substantive business areas including: project controls, contract terms and conditions, invoice preparation, quality plan development, preparing and preserving project documentation, project safety, cash flow management, risk management, as well as project specific mentoring. Mentoring sessions, written agreements, and a quarterly affidavit regarding the mentoring program must be kept on file, with copies sent to the Chief Procurement Officer.

The State of Wisconsin Department of Transportation (WisDOT) has also established a formal mentor-protégé program, matching established firms with emerging businesses. The program requires the development of a memorandum of understanding between the two firms and WisDOT with specific business capacity building activities and outcomes articulated, along with a budget for these activities. Regular evaluation is required. If this action is implemented, an evaluation of staffing and resource allocation at OSBD is recommended.

Stakeholder Feedback

Stakeholders were generally positive about this action, but felt it should be very carefully developed to facilitate positive relationships and proper matches between firms. Some business owners felt this program should be led by an agency or organization other than the City. This action received 14% of prioritization votes.

Issues Addressed by Action 6

Both internal and external stakeholders repeatedly returned to themes of business capacity building. This need was strongly identified in the interview program. Small businesses are looking for assistance in all phases of seeking and delivering work for the City, from pre-certification and certification to the bid and proposal process, as well as with business systems after award of contracts, monitoring and project closeout. Furthermore, business owners report extreme difficulty in developing the kinds of relationships needed inside the City and with other businesses that would allow them to grow and become sustainable.

Implementation Considerations

- May require Common Council action
- Potential moderate staffing and budget implications, specifically around monitoring and compliance
- Requires identification of incentives for participation

7. Enhance Partnerships and Collaborations

As part of a Small Business Capacity Building Program, the City should develop a new range of partnerships and collaboration opportunities with other agencies and organizations with similar and overlapping missions. Specifically, in order to strengthen their ability to increase participation from minority and women-owned businesses under the current race-neutral program, the City should actively and intentionally seek to partner with organizations that specifically focus on minority and women owned business owners. This strategy would seek to increase participation from historically excluded individuals while allowing the City to remain within the confines of its current race-neutral structure.

These partnerships could be developed to address targeted opportunities to enhance the experience of small businesses in contracting with the City, such as:

- Certification Training Program
- Compliance Monitoring Training Program
- Networking events – relationship building opportunities within the business community
- Strategic partnerships with business solidification entities

In order to facilitate the identification, development and strengthening of key strategic partnerships, the City should use the resource it has available in the Equal Rights Commission whose responsibility it is responsible for assisting the City in its efforts to promote equal rights, equal opportunities, positive community relations and to eliminate discrimination and inequities in city government and the city.⁵⁶

The Equal Rights Commission is positioned to effectively engage in targeted outreach and partnership development at the community level to organizations that focus on minorities and women.

Peer City Best Practices

Innovative examples abound in Milwaukee's peer cities. In order to provide enhanced customer services to Denver's contracting community, the Division of Small Business Opportunity (DSBO) facilitates monthly certification training sessions that are free and open to the public. The intent of these trainings is to provide enhanced information for businesses that wish to be certified or want to learn more about DSBO programs and opportunities.

In addition, the City of Denver has another innovative partnership known as Goals Committees. Project goals, unlike annual goals, are established on a project-by-project basis by one of three Goals Committees, each of which is responsible for recommending MBE/WBE goals for different project types: General Construction, Heavy Highway Construction, and Professional Design and Construction Services.

⁵⁶ MGO 109-5-(4a)

Each Goals Committee is made up of three minority representatives, three women representatives, and three majority firm representatives, all of whom are appointed by the DSBO Director. The Goals Committees recommend an individual project goal based on the nature of the work and the availability of certified firms qualified to perform the specific scope of work needed.

In Cleveland, the James H. Walker Construction Management Course is sponsored by the City, Turner Construction, and Cleveland State University. The purpose of the program is to aid small businesses with business management skills such as procurement, accounting, marketing and other construction management areas that allow construction jobs to be efficient and prosperous. The Walker program is a 12-session course taught by experienced construction and management professionals. To date, over 1,500 entrepreneurs from small and large businesses have taken this course.

Stakeholder Feedback

Stakeholders appreciated that the City's inclusion program could leverage partnerships with other agencies and organizations to better serve small businesses. Suggestions included the chambers of commerce, universities and business incubators. It was suggested that the City serve as a convener of these organization. This action received 14% of prioritization votes.

Issues Addressed by the Action 7

Many factors impact the ability of the City to include SBEs in contracting, including the available pool of businesses capable of performing work to the City's standards. While it is agreed that it is reasonable for the City to target some proportion of spending toward building small business capacity, it is unclear among stakeholders – both internal and external – how far the City's role extends in this area. Peer cities with the most successful inclusion programs derive their power to implement innovative and effective programs through high-level executive commitment to those programs and their goals, as well as through strategic partnerships. By more narrowly defining the City's role in addressing these issues, the administration will clarify the need for appropriate partnerships with other organizations.

Implementation Considerations

- Potential staffing and budget implications, specifically around staff time to build appropriate relationships with other agencies and organizations
- Potential for a perceived loss of autonomy
- Requires leadership at a high level to determine appropriate role for City

8. Evaluate the City's Resident Preference Program in More Detail

The City should determine a framework for evaluating the effectiveness of the Resident Preference Program and implement a study within that framework. The peer city analysis showed that other cities have similar programs, but all report facing similar issues with effective implementation. No program was considered to be an effective model for Milwaukee.

Issues Addressed by the Action 8

Milwaukee's Resident Preference Program (RPP) is faced with serious implementation and monitoring problems, as noted by both internal and external stakeholders. It is considered by some prime contractors to be essentially unworkable in its current form, due to the limited availability of a skilled workforce. The RPP may currently be suffering from both a lack of effective monitoring that allows the City to track the employment progress of individuals, as a well as a more general lack of understanding of whom the program is designed to benefit. The City should ask whether the program should be targeted at those most likely to be successful, or those most in need of employment opportunity. Having a more clear understanding of the intended target audience for the RPP could significantly inform improvements to the program.

Implementation Considerations

- Minor budget impact to fund a study.
- May require legislative or executive action to clarify the program's intent.

Staffing and Budget Implications

As noted in the Peer City Investigation, the City of Milwaukee staffs and budgets inclusion programming at a lower level than Chicago, Cleveland, Denver and Kansas City. Due to differences in management structure and organization, comparisons are not strictly applicable. However, Milwaukee is clearly an outlier in this group, as shown in the table below. As nearly as possible, this table represents staff devoted to certification, compliance and monitoring of SBE initiatives.

Table 5:

Inclusion Program Staffing, Funding and Outcomes						
City	Dept Budget	Dept Staff	Certified Inclusion Businesses	Proportion of Spend on Inclusion Businesses	Certified Businesses per 1,000 population	Inclusion Spending/ Capita vs MKE
Chicago	\$1,600,000	21	3,213	29% MBE	1.19	+ 14%
Cleveland	\$850,000	10	647	37%	1.64	+315%
Denver	\$1,500,000	17	1,231	23% Construction; 27% Prof Serv; 10% Goods	1.99	+366%
Kansas City	\$902,000	12.5	628	24%	1.36	+275%
Milwaukee	\$310,000	4	290	20%	0.49	-

Milwaukee's peer cities have better outcomes, with higher proportions of their expenditures going to SBEs and with higher rates of certification, thereby increasing the pool of available small businesses. If Milwaukee is to implement the types of programming that has elevated the success of the peer cities' inclusion programs, it may be necessary to reconsider funding allocations for these activities. Some of the activities in the model program would likely require higher staffing levels, particularly if OSBD were to take on additional duties in monitoring the inclusion program and developing and implementing additional programming. Some of these programs could be relatively staff intensive, particularly those that require interaction with small business owners, various partner organizations and the public.

Milwaukee's peer cities fund their inclusion programs at considerably higher rates on a per capita basis. Chicago spends 14% more per person than Milwaukee, and the other cities spend three times as much or more. Most peer cities fund inclusion primarily out of the general funds. However, there may be room for creativity, for example, by increasing enforcement activities. Chicago devoted the settlement fees generated by legal action against a city firm to bolstering inclusion programming. Cleveland houses staff from other departments in its Office of Equal Opportunity. At the same time, by centralizing monitoring and other activities, the City may also realize savings.

In addition to funding the model program, increased budget and staffing allocations could enhance OSBD performance by enabling professional development activities and implementing a branding and marketing strategy. The City should consider additional funding for OSBD and other contract compliance staff to ensure that they are able to stay abreast of best practices in the field of contract compliance as it relates to small business inclusion. Organizations such as the American Contract Compliance Association (ACCA), offer annual training opportunities for municipal staff seeking to learn about strategies and innovations and well as changes to the legal frameworks influencing contract compliance.

The City is currently making great effort to assist small businesses in building capacity and ensuring small business inclusion in City of Milwaukee government contracting opportunities. However, as was revealed during the stakeholder interview process, many local small businesses and community stakeholders are unfamiliar with the programs, efforts and strategies the City is currently implementing to increase small business contracting opportunities with the City of Milwaukee. With enhanced funding and staffing, the City can better communicate its commitment to serving small businesses. Improving the recognition of the City's brand in this regard can lead to better participation by a higher number of qualified firms, and enhance the City's reputation for providing meaningful opportunities for small businesses.

Table 6:

Summary of Actions to Implement a Model Inclusion Program		
Action	Potential Impacts	Implementation Timeline
1. Bring City Contracting Under One Roof	Difficult to implement, but has the potential to streamline inclusion operations both for city staff and small businesses. A variation with centralized monitoring is possible.	Long. Greater than two years.
2. Create or Join a Unified Certification Program	Difficult to implement given the differences in objectives for various certifying agencies. Potential to create major benefits for small businesses, while conserving city resources. A variation that includes establishing a pre-certification program is possible.	Medium. One to two years.
3. Monitor for Continuous Improvement	Software implementation underway, but requires development of enhanced evaluation program to bring benefits to the City and businesses.	Medium. One to two years.
4. Create a Small Business Preference Program	Potential to create significant benefits for small businesses; could raise contracting costs for the City.	Short. Within one year.
5. Create a Business Capacity Building Initiative with Phased Graduation	Will require more closely defining the Inclusion Program's objectives; potential to add complexity to city activities, and also to strongly benefit some small businesses. Model program exists within OSBD.	Medium to long. Initial activities within one to two years; ongoing refinements more than two years.
6. Develop a Mentor-Protégé Program	Model programs exist that can be implemented in Milwaukee; some costs to the City.	Short. Within one year.

Summary of Actions to Implement a Model Inclusion Program

7. Enhance Partnerships and Collaboration	Will require more closely defining the Inclusion Program's objectives; potential to add complexity to city activities and also to strongly benefit some small businesses.	Short to medium. Initial activities within one year; ongoing refinements within two years.
8. Evaluate the Resident Preference Program	Will require more closely defining the RPP's objectives; eventual refinements could greatly benefit prime contractors, and also city workers. Highly complex.	Medium. One to two years.

Conclusion

Small businesses are critical to the economic success of the City of Milwaukee. Small businesses employ city residents, contribute to the tax base and reward entrepreneurship. The City of Milwaukee strives to include small businesses in all aspects of city contracting through its inclusion program. Business inclusion practices and programs address historical issues raised by minority, women, and small business owners seeking to contract with government. The City's inclusion program encompasses a variety of policies and practices to help provide equal opportunities to be engaged in doing business with government.

The City of Milwaukee Inclusion Practices Evaluation highlights areas where Milwaukee's practices are successful so that they may be strengthened, and it identifies opportunities for improvements in areas where peer communities appear to have more success. This report details a model inclusion program that synthesizes practices from peer communities across the country. Ultimately, it is hoped that the City of Milwaukee will use this evaluation to make short-term changes in its inclusion program and use successful peer city models to guide longer-term evaluation of program policies.

Implementing a model inclusion program will require commitment, foresight and creativity from the City administration and elected officials. However, the benefits will significantly help the City in its efforts to become ever more responsive to the needs of small businesses and the citizens of Milwaukee. Improvements to the program are supported by the Common Council, city staff and the public. In interviews, staff expressed a desire to better serve small businesses through enhanced business development programming and to streamline the certification and procurement processes as they apply to small businesses. Businesses owners, in particular, are anxious to see inclusion practices reformed to help clarify procurement processes, build business capacity and focus City resources on these emerging employment generators in a manner that is reasonable, responsive, equitable and transparent.

APPENDIX A: PROCUREMENT PROCESSES BY CITY DEPARTMENT

City of Milwaukee Departments Involved in Procurement

The following is a list of City of Milwaukee departments involved in procurement activities.

The following is applicable for all departments:

Table A1 - Procurement Activities Applicable to All Departments

Procurement Category	Dollar Threshold	Small Business Enterprise Requirements	Procurement Approval
Petty Cash	Goods and Services valued at less than \$100	None	Petty Cash Administrator
Procurement Card	Goods and services valued up to \$5,000	An emphasis on SBE participation is encouraged	User Department - In accordance with Department of Administration procedures per guidelines

Department of Administration Procurement Services (DOA)

DOA is the primary procurement department within the City of Milwaukee. DOA is responsible for all other commodities and services not specifically listed under the responsibility of other City of Milwaukee departments with procurement authority. The items procured by DOA include but are not limited to the following: automotive supplies, chemicals, communications equipment, computer hardware and software, consulting, financial services, fire and police equipment, fuel and lubricants, furniture, health services, IT services, office supplies and equipment. Within the Department of Administration, all procurements generated by a requisition submitted by city user departments to the DOA-Procurement Services Section are forwarded to OSBD for a review of SBE participation regardless of the dollar value.

Table A2 - Department of Administration Procurement Chart

Procurement Category	Dollar Threshold	Small Business Enterprise Requirements	Procurement Approval
Goods, Professional and Other Services			
Solicited Quote	Goods and Services valued at more than \$5,000	Solicited quotes are forwarded to an SBE Analyst by the Purchasing Agent for appropriate SBE participation	City Purchasing Director

Table A2 - Department of Administration Procurement Chart

Jumpstart	Goods and Services valued at \$5,000-\$10,000	Jumpstarts are forwarded to an SBE Analyst by the Purchasing Agent for appropriate SBE participation	City Purchasing Director
Informal Bid	Goods and Services valued at more than \$10,000 to \$50,000	Informal bids are forwarded to an SBE Analyst by the Purchasing Agent for appropriate SBE participation determination	City Purchasing Director
Formal Bid/RFP	Services valued at \$50,000 or more	Formal quotes are forwarded to an SBE Analyst by the Purchasing Agent for appropriate SBE participation determination	City Purchasing Director
Vendor (Blanket) Contract	Typically exceeds \$50,000	Bids reviewed for possible SBE participation	City Purchasing Director
Piggyback Purchases: The City piggybacks off a resulting contract that is conducted by another governmental agency for a particular commodity or service.	No threshold	SBE requirements are governed by the lead agency	City Purchasing Director
Emergency	None	None	City Purchasing Director/ Department Head

Department of City Development (DCD)

DCD is responsible for real estate sales, real estate development, and services procurement for Department of City Development.

It should be noted that the information in the chart below does not reflect the inclusion requirements on development agreements involving direct financial assistance of or above \$1 million from the City. DCD relies upon the language of the Milwaukee Code of Ordinances Ch. 355 for appropriate inclusion efforts for development agreements of that nature.

Table A3 - Department of City Development Procurement Chart

Procurement Category	Dollar Threshold	Small Business Enterprise Requirements	Procurement Approval
Professional and Other Services			
Informal Bid	\$5,000 to \$10,000	Construction = 25%; Services = 25%, Professional Services = 18%, standard, but may vary depending on availability of certified firms. Final % determined in consultation with OSBD	DCD Manager
Informal Bid or Request for Proposal (RFP)	\$10,000 to \$50,000	Construction = 25%; Services = 25%, Professional Services = 18%, standard, but may vary depending on availability of certified firms. Final % determined in consultation with OSBD	DCD Manager
Formal bid or RFP process	Services valued at more than \$50,000	Construction = 25%; Services = 25%, Professional Services = 18% standard, but may vary depending on availability of certified firms. Final % determined in consultation with OSBD	DCD Manager
Other Procurements			
Emergency	None	None	User Department/ City Purchasing Director

Redevelopment Authority of the City of Milwaukee

The Redevelopment Authority of the City of Milwaukee (RACM) was created pursuant to state statutes “for the purpose of carrying our blight elimination, slum clearance and urban renewal programs and projects.”⁵⁷ The statutes confer upon RACM the authority to prepare plans within the city limits, enter into contracts, acquire and condemn property pursuant to state condemnation procedures, borrow money and issue bonds, and “all powers necessary or incidental to effect adequate and comprehensive blight elimination, slum clearance and urban renewal programs and projects.”⁵⁸

RACM states that its purchasing and procurement mission is to continually identify and incorporate innovative procurement practices that will provide quality and timely services to RACM and its vendors, while adhering to and enforcing all applicable state and local laws, including the aforementioned powers.). The RACM procurement policy provides for the fair and equitable treatment of all persons or firms involved in purchasing by the RACM; ensure that supplies and services (including construction) are procured efficiently, effectively, and at the most favorable prices available to the RACM; and promote competition in contracting.

In recognition of specific Milwaukee Ordinances relative to the utilization of City-certified small business enterprises, or other definitions established by the City through ordinance to promote diverse contract participation, RACM, to the greatest extent possible, strives to achieve the contract preference program participation percentages consistent with the City of Milwaukee’s objectives, while adhering to Wisconsin Statutes.

Table A4 - RACM Procurement Chart

Procurement Category	Dollar Threshold	Small Business Enterprise Requirements	Procurement Approval
Services			
Informal Bid – One (1) written quote forwarded with requisition	\$0-\$3,000	None – An emphasis on SBE participation is encouraged	RACM Manager
	\$10,000 to \$50,000	Construction – 25%; Services – 25%, Professional Services – 18%, standard, but may vary depending on availability of certified firms. Final % determined in consultation with OSBD	DCD Manager
Informal Bid – Three (3) written quotes	\$3,001-\$10,000	None – An emphasis on SBE participation is encouraged	RACM Manager
Informal Bid - Three (3) written quotes	\$10,000-\$25,000	None – An emphasis on SBE participation is encouraged.	RACM Manager

⁵⁷ Sec. 66.1333(3), Wis. Stats.

⁵⁸ Id.

Table A4 - RACM Procurement Chart

Formal Bid	\$25,000 & Over needs board approval	Goals†: Construction – 25%; Services – 25%, Professional Services – 18%	RACM Manager with RACM Board approval authorizing entry into a contract
Goods			
Informal Bid – One (1) written quote	\$0-\$3000	None – An emphasis on SBE participation is encouraged	RACM Manager
Informal Bid – Three (3) written quotes	\$3,001-\$25,000	None – An emphasis on SBE participation is encouraged	RACM Manager
Formal Bid	\$25,001 & Over	Goals†: Commodities – 25%;	RACM Manager
Emergency			
Emergency	\$0-\$5000	None	RACM Manager with <i>Exception to Bid</i> form signed by Executive Director for anything over \$3,000
Emergency	\$5,001 - \$25,000	None	RACM Manager with <i>Exception to Bid</i> form signed by Executive Director for anything over \$3,000*

† - unless there are not more than one certified firms in the category being procured

*w/memo or from the Requesting Section indication nature, severity, and consequences of the "Emergency"

Department of Public Works (DPW)

DPW is responsible for all procurement activity related to Public Works administration, bridge structures, buildings, parking, paving, recreation facilities, sewer and water mains, snow plowing, Water Works facilities, and forestry.

Table A5 - Department of Public Works Procurement

Procurement Category	Dollar Threshold	Small Business Enterprise Requirements	Procurement Approval
Goods			
Small Dollar Purchase	Goods valued at \$500 or less	None	DPW Manager
Services			
Small Dollar Purchases	Services Valued at \$2000 or less	None	DPW Manager
Informal Solicitations – One or more telephone bids. Low bid is confirmed in writing.	Services valued at \$4,999 or less	None	DPW Manager
Informal Solicitations – Three telephone bids Low bid is confirmed in writing.	Services valued between \$5,000 and \$9,999	None	DPW Manager
Informal Solicitation – Three telephone bids.	Services valued between \$10,000 and \$24,999	None	DPW Manager
Informal Solicitation – Subject to informal procurement procedures	Services valued at more than \$25,000	None	DPW Manager
Informal Solicitation – Subject to informal procurement procedures	Services valued at more than \$25,000	None	DPW Manager
Formal Bid - RFP Process	Services valued at \$50,000 or more	Formal RFP forwarded to an SBE Analyst for appropriate SBE participation	DPW Manager

Table A5 - Department of Public Works Procurement

Service Orders			
Informal Solicitation – One or more telephone bids. The low bid is provided in writing.	Service orders valued at less than \$5000	None	DPW Manager
Informal solicitation – Three telephone bids. The low bid is provided in writing.	Service orders valued between \$5000 and \$24,999	None	DPW Manager
Construction			
Formal Bid – RFP Process	Construction services valued at more than \$25,000	Prior to the creation of the bid, requests for bids are reviewed by SBE analysts for potential SBE participation	Commissioner of Public Works

Department of Neighborhood Services (DNS)

DNS is responsible for demolition and site clearance contracts.

Table A6 - Department of Neighborhood Services Procurement Chart

Procurement Category	Dollar Threshold	Small Business Enterprise Requirements	Procurement Approval
Services			
Informal bid/RFP Process	Services valued at less than \$50,000	Draft bids are forwarded to an SBE Analyst by the Purchasing Director for appropriate SBE participation	DNS Manager
Formal bid/RFP Process	Services valued at more than \$50,000	Draft bids are forwarded to an SBE Analyst by the Purchasing Agent for appropriate SBE participation determination	DNS Manager

Milwaukee Public Library and Port of Milwaukee

The Milwaukee Public Library and the Port of Milwaukee both largely follow the procurement processes and procedures outlined in the Department of Administration (DOA) chart. (See p.63-64 for chart.)

The general management, regulation and control of the Milwaukee Public Library is the responsibility of a twelve member Board of Trustees whose powers are further defined in Chapter 43 of the Wisconsin Statutes.

The Port of Milwaukee is governed by a seven-member the Board of Harbor Commissioners who has the authority to employ personnel and award contracts for the operation and maintenance of the harbor. All improvements involving expenditure of money are subject to Common Council approval.

Housing Authority of the City of Milwaukee (HACM)

The Housing Authority of the City of Milwaukee (HACM) was chartered in 1944 and is responsible for the construction, management, and provision of safe, affordable, and quality housing with services that enhance residents' self-sufficiency. The Housing Authority is governed by a seven-member Board of Commissioners who are appointed by the mayor and confirmed by the Common Council.

Created under state statute, HACM is a "public body and a body corporate, exercising public powers, and has all the powers necessary or convenient to carry out and effectuate [its statutory] purposes and provisions."⁵⁹ The enabling statute also specifically prohibits discrimination based on sex, race and other typical protected class status.⁶⁰ HACM is also regulated heavily by federal law and is subject to federal funding and procurement requirements as a recipient of federal aid. HACM receives funding from the federal Department of Housing and Urban Development (HUD).⁶¹

Specifically, HUD regulations require grantees to "take all necessary affirmative steps to assure that minority firms and women's business enterprises, and labor surplus area firms are used when possible."⁶² The affirmative action "steps" set forth in the code are:⁶³

1. Placing small, minority and women's businesses on solicitation lists; and
2. Assuring that small, minority and women's businesses are solicited, when possible; and
3. Dividing projects into smaller portions to maximize participation by small and minority firms and women's businesses; and
4. Establishing delivery schedules that encourage participation of targeted businesses; and
5. Using the services of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce; and
6. Requiring the prime contractor to also take these steps.

HACM Procurement Policy

HACM receives federal funding from HUD and is subject to Section 3 of the Housing and Urban Development Act of 1986.⁶⁴ The purpose of the Section 3 is to, "ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible... be directed...to business concerns which provide economic opportunities to low- and very low-income persons."⁶⁵

Section 3 applies to funds and activities that involve HUD in, "any project or activity" regardless of the amount of funding which are then considered, "covered."⁶⁶ Conversely, in areas where HACM receives no federal funding, Section 3 does not apply.

Subpart B addresses how recipients of funding can ensure that they meet the “greatest extent feasible” clause to ensure economic opportunities for residents and businesses.⁶⁷ This part provides minimum numerical goals required by Section 3. In projects that require a subcontractor, those that are covered under Section 3 to the greatest extent feasible, “hire:

1. **Building trades:** 10% of the total dollar amount... for maintenance, repair, modernization or development of public or Indian housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction
2. **Non-building trades:** 3% of the total dollar amount of all other section 3 covered contracts.”⁶⁸

When making this determination, Section 3 directs HACM-covered recipients to give preference in the following order:

1. **Category 1 business:** Business concerns that are 51% or more owned by residents of the housing development or developments for which the Section 3 covered assistance is expended, or whose full-time, permanent workforce includes 30% of these persons as employees.
2. **Category 2 business:** Business concerns that are 51% or more owned by residents of other housing developments or developments managed by the HA that is expending the Section 3 covered assistance, or whose full-time, permanent workforce includes 30 percent of these persons as employees.
3. **Category 3 business:** HUD Youthbuild programs being carried out in the metropolitan area (or non-metropolitan county) in which the Section 3 covered assistance is expended.
4. **Category 4 business:** Business concerns that are 51% or more owned by Section 3 residents, or whose permanent, full-time workforce includes no less than 30% Section 3 residents, or that subcontract in excess of 25% of the total amount of subcontracts to business concerns identified in as category 1 business.⁶⁹

To receive this preference, it is required that each business self-certify that they fit the categories listed above.⁷⁰ This certification process is separate from the certification through the Office of Small Business Development and is implemented and monitored for and by HACM.

⁶⁷ 24 C.F.R. § 135.30

⁶⁸ 24 C.F.R. § 135.31

⁶⁹ 24 C.F.R. § 135.36 – (1i-iv)

⁷⁰ 24 C.F.R. § 135.36. 2iib

Table A7 - Housing Authority of the City of Milwaukee Procurement Chart

Procurement Method	Dollar Threshold	Advertising Requirement	Solicitation Process	Emerging Business Enterprise Requirements	Requisition Approval	Procurement Approval
Services/Construction						
Micro Purchases	\$0 - \$1,999.99	No	Award micro purchases without soliciting competitive quotations if the price is reasonable (based on recent research, experience or purchases)	No	No	User Department
Small purchases	\$2,000.00 - \$99,999.00	No	Must solicit price quotes from an adequate number of qualified sources, not less than three	<p>SBE goals are trigger at \$50,000.00; the solicitations are given to the Contract Business Officer.</p> <p>Before award of contract will send SBE forms to the Contract Business Officer. Purchasing/ Contracts will not award contract until we receive the okay from the Officer. (signed copy of the SBE forms)</p>	Yes	User Department

Table A7 - Housing Authority of the City of Milwaukee Procurement Chart

Sealed Bids	\$100,000.00 - over	Yes	<p>Advertise for two consecutive weeks, class 2 notices, before solicitation is due.</p> <p>Public bid opening, anyone is permitted to attend. Bids are publicly opened on the scheduled date and time shown in the solicitation. The Officer reads aloud the bidders name and bid prices (recorded on a bid tab). This information is recorded for public inspection. No commitment or statement regarding contract award is made to any bidder at the bid opening.</p>	<p>The solicitations are sent to the Contract Business Officer.</p> <p>Before award of contract will send SBE forms to the Contract Business Officer. Purchasing/Contracts will not award contract until we receive the okay from the Officer. (signed copy of the SBE forms</p>	No	<p>HACM Board approval is required</p> <p>Secretary Executive Director signs contract</p>
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*HUD Section 3 applies to all services. Purchasing/Contract sends all paperwork to the Section 3 Coordinator before award of contract for approval to proceed to make sure HACM is in compliance.

*For small purchase construction contracts between \$2,000.00 and \$100,000, the applicable Davis-Bacon wage decision and form HUD 5370-EZ General Conditions for Small Construction/Development contracts must be incorporated. Form HUD 5370-EZ is designed for small construction jobs. HACM may use form HUD 5370 instead of form HUD 5370-EZ if it is more appropriate for the work to be conducted.

*For small purchase maintenance contracts between \$2,000.00 and \$100,000, include Section II of form HUD 5370-C General Conditions for Non-Construction Contracts; Table 5.1 (required contract clauses) and the applicable Davis Bacon or HUD wage decision.

*For all sealed bids, construction or maintenance contracts over \$100,000.00, include Form HUD-5369, Instructions to Bidders for Contracts, Public and Indian Housing Programs, Form HUD 5369-A, Representations, Certifications and Other Statements of Bidders, Public and Indian Housing Programs and HUD 5370, General Conditions of the Contract for Construction along with appropriate Davis Bacon or HUD wage decision.

*For all sealed bids, for non-construction (such as, but not limited to consulting, professional services) over \$100,000.00, include Form HUD 5369-B, Instructions to Offerors Non Construction, HUD 5369-C, Certifications and Representations of Offerors Non-Construction Contract and HUD 5370-C, General Conditions for Non-Construction Contracts.

Table A7 - Housing Authority of the City of Milwaukee Procurement Chart

Procurement Method	Dollar Threshold	Advertising Requirement	Solicitation Process	Emerging Business Enterprise Requirements	Requisition Approval	Procurement Approval
Commodities						
Credit Card/ Checkbook	\$0-\$1,000.00	No	May only receive one quote	No	No	User Department
Micro Purchases	\$0 - \$1,999.00	No	Award micro purchases without soliciting competitive quotations if the price is reasonable (based on recent research, experience or purchases)	No	No	
Small purchases	\$0 - \$99,999.00	No	Must solicit price quotes from an adequate number of qualified sources, not less than three	SBE goals are trigger at \$50,000.00; the solicitations are given to the Contract Business Officer.		
Sealed Bids	\$100,000.00 - over	Yes	<p>Advertise for two consecutive weeks, class 2 notices, before solicitation is due.</p> <p>Public bid opening, anyone is permitted to attend. Bids are publicly opened on the scheduled date and time shown in the solicitation. The Officer reads aloud the bidders name and bid prices (recorded on a bid tab). This information is recorded for public inspection. No commitment or statement regarding contract award is made to any bidder at the bid opening.</p>	<p>The solicitations are sent to the Contract Business Officer.</p> <p>Before award of contract will send SBE forms to the Contract Business Officer. Purchasing/ Contracts will not award contract until we receive the okay from the Officer. (signed copy of the SBE forms</p>	No	<p>HACM Board approval is required</p> <p>Secretary Executive Director signs contract</p>

APPENDIX B: STAKEHOLDER INTERVIEW FINDINGS

Stakeholder Themes

The results have been organized below into four general categories that emerged during discussions:

1. **Legal and Operating Framework for Inclusion Practices:** Do the current laws and policies support the effective implementation of inclusion practices? Is this the right structure to meet the goals?
2. **Existing Practices to Meet Inclusion Goals:** To what extent do existing practices support the inclusion goals? Are the practices meeting the needs of small businesses and the City?
3. **Monitoring:** How does the City monitor progress and what are the perceptions about whether the City is meeting its goals?
4. **Areas for Improvement:** What are specific areas that can be improved?

These key themes were used to inform the best practices analysis and guided the peer city interviews.

Major Key Findings

Legal and Operating Framework: Does the legal and operating framework support effective inclusion practices?

- Within the City's current legal and operating framework, various departments and the Housing Authority operate within differing legal frameworks, creating a fragmented approach to business inclusion. These differences are due, in part, to the requirements of different funding sources, some of which require the utilization of Disadvantaged Business Enterprise (DBE) certified firms through a federal certification program. As a result, the current practices used to include small and emerging businesses are generally not transferable across city departments and have created distinct silos germane to their respective department and compliant with funding requirement.
- Despite having an identified person in each department working to be inclusive of small businesses, city department staff feel as though they have little power to compel or enforce good practices by contractors. At the most, the City can debar noncompliant contractors from participating on City contracts. However, in reality, this power is seldom exercised.

Elected Officials: Legal and Operating Framework

- Several Aldermen feel it is reasonable for the City to desire to provide opportunities for small businesses and individuals from the city, particularly given the disparity in opportunity that exists. The goal of having an inclusion program is to stabilize the community. The common council develops policy to guide these efforts, and the Department of Administration is the point through which the inclusion program is implemented. Specifically, this happens through activities of the Purchasing Department.
- Some on the Common Council would prefer a race- and gender-conscious system to focus the benefits of the inclusion program where the need is greatest. However, they understand that the disparity study was flawed.

- The citywide MORE ordinance, which sets the Residential Preference Program, requires 40% participation (by hours worked) of unemployed and underemployed residents. This dilutes the benefits for minorities, but does address the large number of out-of-work city residents.
- The City can provide assistance for small businesses, and it can provide opportunity, but it cannot do their work for them (i.e. ensure the businesses' success and sustainability). The City should be in the business of fostering beneficial relationships, mentoring and ensuring fair competition.
- The City's current goals are fair and workable.

City Administration: Legal and Operating Framework

- Various departments and the housing authority operate within differing legal frameworks with regard to inclusion of small and emerging businesses. These include the City's MORE ordinance, the Federal Section 3 requirements, some State of Wisconsin frameworks, and various chapters of city code. Certifying agencies and processes vary for different contracts. Percentage participation requirements vary as well across departments and types of projects. It is generally assumed by city staff that these distinctions are opaque to contractors, and that the associated regulations and paperwork prevent some contractors from taking part in the program, even though they may be eligible and have the capacity to contract with the City.
- The variety of certifying processes and legal frameworks for inclusion means that the practices used to include small and emerging businesses are generally not transferable across city departments. The one-size-fits-all language of the City's inclusion program is seen as unfairly disadvantaging some departments, particularly those that purchase primarily highly specialized goods and services.
- The requirement for bid goods and services that the City must accept the lowest responsive bid means that small businesses are in some cases simply not able to compete for a range of contracts.
- Departments have little power to enforce good practices by contractors. At the worst, the City can debar noncompliant businesses from participating in city contracts. However, in reality, this power is seldom exercised. By the time a business has been identified as noncompliant and the city departments have worked with them to correct deficiencies, that business is more likely to not bid on future projects rather than attempt to conform.
- From a policy perspective, it is worth discussing whether the inclusion program should be targeting the neediest businesses and workers, or those most likely to become sustainable. In other words, should the program focus on those businesses most likely to succeed, or should it spread its resources more broadly to help those with the greatest exigencies.

External Stakeholders: Legal and Operating Framework

- There is interest in having the City undertake a compliance audit. Milwaukee civil rights and economic development organizations have a long-standing interest in prodding the City to examine the legal framework for its inclusion program. There has been frustration in getting the City to act.
- The drive for improving the inclusion policy and program must come from the highest levels of the administration.
- There is a general feeling that the existing laws are adequate, but they are not uniformly enforced and their execution is not coordinated. Enforcing the existing policies would make a tremendous difference.

- “Best Efforts” language should be removed from ordinances and policies and be replaced with requirements.
- The RPP program is one tool that is being asked to address many issues: tax base, underemployment, discrimination in hiring, etc. It is unclear to stakeholders whether this is the best model to address this array of concerns and objectives.

Small Business Focus Groups: Legal and Operating Framework

- Businesses are not clear on the role of the Office of Small Business Development, and some cannot point to positive experiences with OSBD. Only the savviest firms understand how OSBD works for them.
- Some businesses feel that the certification process is not worth the effort. Certification is valuable if you can develop good relationships with large prime contractors, who have to meet the City’s targets.
- Milwaukee County and MMSD have small business offices that are easier to work with, and processes that are easier to understand. Both those jurisdictions take small business development seriously, whereas the City renders lip service.
- The City is not interested in rewarding city businesses with contracts. Too many contracts go to out of town companies.

Existing Practices To Meet Inclusion Goals: How well do existing practices support inclusion goals?

- The City’s small business certification program can be quite cumbersome for small businesses. It may be in the best interest of small businesses for the City to develop a certification training program. Some departments and individuals within departments have established ad hoc mentoring programs to help Small Business firms understand and carry out the certification, bidding, invoicing and reporting processes. But unless this process becomes more formalized, small businesses may continue to face hurdles in winning and delivering contracts for the City.
- Projects with real estate development agreements have the opportunity to make a larger impact on inclusion efforts. This is because expectations are negotiated up front with project developers, unions, contractors, and the City. The use of Tax Incremental Funds (TIF) funding can also allow the City to build in business development and forgivable loan activities.
- Each respective city department feels as though it has one person involved in contracting who sees small business firms as a primary ‘customer’. In many cases, this leads to a high level of personal commitment to meeting the goals of the City’s business inclusion policy and extraordinary practices to ensure that annual business inclusion goals are met. However, this also may lead to a small number of businesses, who have strong relations to that person, winning a disproportionate number of contracts.
- There is a sense among some elected officials that the current business inclusion programming is not doing enough to help residents and small businesses most in need of opportunity because it is a race- and gender-neutral program.
- For very small projects, departments can reach out to a limited list of contractors, all SBEs. The value of these contracts ranges from \$2K to \$25K, depending on the department and the type of good or service. It may be valuable to evaluate if this process should be standardized to focus on SBEs.

Elected Officials: Existing Practices to Meet Inclusion Goals

- For large projects to which the City contributes financially, a development agreement system is in place. This system requires the negotiation of inclusion targets and business development programming associated with the project. The development agreement system for City-funded projects is a good model. The upfront discussions with developers, contractors, and unions required in reaching an agreement create buy-in and commitment. It also allows the City to actively monitor large development projects and provide extra opportunities for small business capacity development.
- Sometimes companies are walked through the bidding process. They are coached.
- There is a sense among some elected officials that the current program is not doing enough to help residents and businesses most in need of opportunity because the program is structured as a race and gender neutral program.

City Administration: Existing Practices to Meet Inclusion Goals

- Many staff people recognized that the City's certification process can seem opaque to small business people. In many cases – from the Office of Small Business Development to individual contracting departments – staff will work closely with small businesses they identify as having strong potential and lead them through certification, bidding and reporting. It may be reasonable to consider establishing a formal pre-certification program to formalize this process and make it available to all small businesses.
- Departments frequently break large projects down into smaller components in order to enable SBEs to compete for city work. Lack of business skills and experience – as opposed to technical ability – is seen as a major barrier for many small businesses in delivering larger projects. Larger projects and contracts are more difficult to administer due to increased complexity. That is, front office skills – in estimating, bidding, invoicing and tracking projects – are missing from many small businesses, especially very small businesses. The majority of SBE inclusion is perceived as being the result of subcontracting. For projects of larger size, there are few available SBE prime contractors.
- It is very challenging to meet SBE goals for professional services work. There are not enough contractors to ensure competition. Internally, certified businesses are categorized by NAICS code. In preparing a request for bids, if there are fewer than three certified firms deemed able to complete the work, the SBE targets may be reduced or waived. It may be valuable to evaluate the reasonableness of including all activities in the SBE requirements, or whether more value could be provided to city businesses and residents by focusing efforts on the areas where success is most likely.
- In most departments, at least one person involved in contracting sees small businesses as a primary "customer." In many cases, this leads to a high level of personal commitment to the goals of the City's inclusion policy, and extraordinary practices follow to meet those goals. Most typically, this takes the form of personal shepherding of eligible businesses through the certification, bidding and monitoring processes. In effect, individuals working within city departments are acting to build capacity in city small businesses, even though the City has few formalized small business capacity building initiatives.
- In most cases, the city departments seem to be picking winners and losers from the pool of small businesses. That is, all personnel must first and foremost be responsible to the greater public, and ensure that their projects are completed in a competent, timely and cost-effective manner. This means in practice that departments are relying on a small subset of SBEs, those in whom they can place their trust and with whom they have personal relationships. This statement is perceived to be true of general contractors – who want to work with subcontractors with whom they have established relationships – and it seems to be true of the City as well. Some city staff feel this could contribute to the creation of a pool of established, sustainable small businesses,

but at the expense of a broad distribution of contracts. It may be valuable to evaluate formalizing this process.

- Some department and individuals within departments have established ad hoc mentoring programs to help SBEs understand and carry out the certification, bidding, invoicing and reporting processes. This mentoring ranges from casual to fairly intense, from personally inviting business owners to attend a bid opening to learn how the City's award process works, to arranging meet-and-greets between primes and eligible subcontractors to try to foster relationships. For Section 3, HACM goes to even greater lengths, including: one-on-one mentoring, paid training, organizing mock interviews, resume building, pre-submission bid reviews to reduce the likelihood that fledgling businesses will be eliminated from consideration due to paperwork mistakes. It may be valuable to evaluate formalizing and coordinating these efforts.

- Projects with development agreements have the opportunity to make a larger impact. This is the case because expectations are negotiated up front with project developers, unions, contractors and the City. The use of TIF funding allows the City to build in business development and forgivable loan activities.

External Stakeholder Groups: Existing Practices to Meet Inclusion Goals

- The small business pool is defined too broadly to be meaningful to the businesses that most need the program. Prior to the refinement of the program to focus on small businesses (following the disparity study), the EBE definitions were more effective in targeting the businesses that find it most difficult to compete. The program is currently viewed in a discouraging light.

- Bonding requirements are an enormous barrier to winning and delivering city contracts. Small businesses cannot afford bonding. The City could force primes into forming formal partnerships or joint ventures with small businesses to alleviate this burden.

- Only businesses with existing relationships with the City are able to win city contracts.

- W RTP/Big Step and others certify RPP candidates. Urban League and Esperanza no longer certify, because they couldn't fund it. This certification effort is not funded. RPP is working according to the letter of the law, but there are major coordination and capacity issues.

- We need a dedicated resource stream for RPP – money and staff. Marketing the program and making its goals and processes understood is another shortcoming.

- OSBD has a low profile among some of the organizations. There is general awareness that OSBD provides tools and resources to small businesses that want to do business with the City. It is perceived to be aimed more at African-American businesses than other minorities. There is a sense of competition between the various ethnic businesses.

- Events provide relevant materials but are not always well attended. It is important to articulate the value OSBD provides to businesses.

- Generally, businesses don't feel they will be successful in pursuing city work except in the construction fields.

- The RFP process is especially tedious and difficult.

Small Business Focus Groups: Existing Practices To Meet Inclusion Goals

- If a business has established relationships with the City, it is possible to win work. If a business does not have those relationships in place, and does not have relationships with successful prime contractors, it is impossible to win city work.

- The bidding and selection processes are opaque. Businesses do not understand the low responsive bid principle and do not understand how to ask questions about bid requirements.
- Bonding requirements are an insurmountable barrier to small businesses.
- The only way to win work is to stay in contact with your alderperson. That's the only door into city work for businesses that don't have established relationships with departmental staff.
- The City awards work not based on the quality of the firm, but rather based on relationships and the City's perception of the firm's ability to deliver the work. This penalizes small businesses who may be capable of delivering larger projects, but never get the chance.
- The certification process is very difficult to navigate, particularly for people for whom English is a second language.

Monitoring: How does the City monitor progress and what are perceptions of whether the City is meeting its goals?

- Just as there is no standard set of rules for inclusion, there is no standardized reporting process for evaluating results that could meaningfully inform decision-making about existing practices. To put it simply: it's hard to know if efforts are successful. Reporting on the City's progress in meeting business inclusion and workforce goals is too general. It's difficult to see areas where improvement may be needed. There is no real uniform reporting procedure.
- It is unclear whether any particular department accepts overall ownership of accountability relative to the City's business inclusion programming. In a number of departments, monitoring flows through a single individual and practices are not standardized.
- Monitoring the Residential Preference Program (RPP) is particularly troublesome and costly. Some departments are spot-checking actual eligibility of reported employees. However, RPP eligibility lasts for five years, too long of a period to adequately monitor eligibility. No longitudinal data are available on employee success over the long term.

Elected Officials: Monitoring

- It is unclear how well the City is doing in reaching its goals with respect to RPP. Better data are needed. In general, we should be able to provide more detailed reporting to clarify how the City's program is doing in the context of the state and federal programs.
- Reports should include information and rationale on how and why targets are or are not being met. More information than just the SBE percentages are needed in order to know how to improve the programs.

City Administration: Monitoring

- The variety of legal frameworks for supporting inclusion means that there is no standardized reporting of results that could meaningfully inform decision-making about existing practices, at either the programmatic or the policy levels. This is exacerbated by the non-standardization of levels of detail for reporting across departments. It is unclear that performance data are compiled in a way to answer specific questions about the strengths and weaknesses of the City's and HACM's inclusion practices.

- Monitoring is chronically understaffed, leading to opportunities – or the perception of opportunities – to exploit weaknesses in the self-reporting system. There is a perception that “pass-through” businesses are a problem, but few instances have been investigated.
- In a number of departments, monitoring flows through a single individual and practices are not standardized. Performance monitoring may not be reproducible. It is anticipated that the on-going adoption of new software may alleviate this issue and allow for somewhat comparable reporting across departments. However, not all departments will be using the same monitoring software.
- RPP monitoring is difficult and costly. Some departments are spot-checking actual eligibility of reported employees. However, RPP eligibility lasts for five years, too long a period adequately monitor eligibility. Prevailing wage monitoring adds to the overall complexity. There exists an opportunity to simplify and standardize monitoring and reporting functions.
- Often, contractors do not understand the paperwork, or are unable to adequately supply necessary documentation. There are numerous forms for contractors to submit. It is assumed by staff that the monitoring process is burdensome to contractors.
- It is assumed that the City’s inclusion programs translate into increased costs for goods and services. This is unverified and has not apparently been explored.
- In most cases, certification data and compliance data are self-reported by businesses.

External Stakeholder Groups: Monitoring

- The current compliance monitoring system discourages whistle-blowing. There is the general perception that the numbers are fudged, and that’s an acceptable business practice in Milwaukee.
- The RPP creates many monitoring challenges. If people move, it is very difficult to track their continued eligibility. The Department of Public Works does not have enough staff assigned to monitoring RPP. It’s unclear to employees and businesses who is in charge of monitoring the program. We need an overall evaluation of the program.
- HACM’s monitoring and reporting is not transparent. It’s hard to know how well they’re doing.

Areas for Improvement

Based on feedback from interviews, eight areas of improvement were identified as outlined below:

- Coordination amongst the various small business certification processes is needed. By setting up the same or similar processes, the City will be able to document progress toward full implementation of report recommendations and inclusion goals.
- The same businesses continue to win city work without any demonstrated intention to build capacity. The City should consider implementing a program with a limited number of SBE slots that would help those businesses build their sustainability, then “graduate” them out and fill their slots with new small businesses who demonstrate high potential (targeted capacity building).
- A need for business capacity building was expressed during many interviews with diverse stakeholders. The City must determine and formalize its role in small business capacity building and workforce development.

- Departments must set up better monitoring of inclusion efforts, which will necessitate the design of shared or overall goals and targets for measuring success.
- Contracting efforts are viewed as bureaucratic and complicated. Paperwork should be simplified for certification and for responding to Requests for Proposal (RFPs).
- In order to enable a greater proportion of small businesses to compete for contracts, the City should consider developing a tiered small business enterprise program, in which some contracts are competitively offered to certified SBEs only.
- Formalized, strategic partnerships are needed in order to ensure the success of small businesses. These could also include mentorships or protégé programs.
- The City should develop an outreach program targeted to the small business community, which welcomes them with the opportunity to learn about certification, contracting, relationship building, and growing a small business.

Elected Officials: Areas for Improvement

The system is simply viewed by contractors and the public as bureaucratic. It could be streamlined.

- We see the same businesses winning city work, but without any intention of building capacity. We could consider implementing a program with a limited number of SBE slots that helps those businesses build their sustainability, then “graduate” them out and fill their slots with new businesses with high potential. We could consider a case-management system to help businesses build relationships. We could create an incubator environment, be intentional about growth.
- Perhaps a tiered program would be feasible – keep small contracts competitive for very small businesses, but find a way to foster growth.
- Explore a system in which SBEs pick the general contractors to team with.
- Independent oversight of the program’s effectiveness would be beneficial and better monitoring and reporting would help determine if the program is working. For example, it would be useful to have a quarterly report on SBE contracts broken down by Aldermanic District, or longitudinal information about the progress of people hired through the RPP. We want to understand if the program is working to help people become employable over the long term.
- It is necessary to regularly get out to listen to our businesspeople and residents, to hear what’s working and how they perceive the program. OSBD should be able to engage with residents and businesses regularly.
- Perhaps should evaluate whether the inclusion program should be housed at the Department of Public Works (DPW), rather than the Department of Administration. DPW provides the majority of the work. However, it’s not clear whether this may be too much for DPW to adopt.
- The paperwork for certification and for responding to an RFP could be simplified. We have layers of forms that made sense as individual efforts – the slavery disclosure affidavit for example – but which together make the process off-putting and cumbersome.
- OSBD could do more, programmatically, to foster growth, cultivating partnerships with agencies and governments that have the same goals.

City Administration: Areas for Improvement

- There is no clear roadmap through the various certification processes. Sometimes, businesses don't see the value or are put off by the bureaucracy. The OSBD helps people work through this, but the perception of substantial paperwork is daunting. Some sort of formalized ombudsman program may be of value, or establishing formal partnerships with the chambers or other business organizations.
- Coordination between the certification processes would be valuable. The contracting community is confused by SBE, EBE, M/WBE requirements and targets. A clear path through this and regular connections between primes and subs is necessary. For example, not all certified businesses are also Section 3 certified.
- Bonding and insurance requirements are seen as nearly insurmountably high barriers for small businesses in some types of work, such as asbestos removal. It may be reasonable to explore ways to mitigate this barrier. In some cases, for very small projects, the City has paid for bonding that would otherwise be unaffordable. Perhaps there is a means to formalize such a program under certain conditions.
- Departments that participate in DOA's purchasing program do not receive any SBE "credit." Is it possible to review the types of services and either credit a proportion to the department or exempt certain goods and services from the overall SBE requirement?
- A need for business capacity building was expressed over many interviews from many points of view. The City must determine and formalize its role in small business capacity building and workforce development. If capacity building is both necessary and a reasonable role for the City, it must be determined in what manner: as a convener and strategy facilitator, program provider, connector? What are the roles of partner organizations and who will fund and be responsible for what aspects of a capacity building program? Is it enough to mandate participation targets?
- The City should consider identifying areas where opportunities reasonably exist for SBE participation that currently have low levels of participation, and then develop a program to help SBEs compete for that work. Some areas identified by interviewees include fire damage, carpentry, demolition cleanup, forestry and snow removal.
- For Section 3, there are disincentives to participation built into the very systems meant to alleviate inadequate skills or preparation. For example, it is perceived that income increases may jeopardize housing authority residency. English and math literacy requirements stop some people from participating in training programs. Other barriers include mental health, substance use, domestic problems, and criminal records.
- Monitoring Section 3 eligibility is a problem. Could create a centralized Section 3 registry, perhaps linked to the OSBD certification directory.
- Transportation limitations remain a significant problem.
- Strategic and appropriate community partnerships are essential. It is not up to the City to solve all these problems. The City may be most valuable in setting targets and helping to coordinate the efforts of a broader coalition. Right now, the perception is that the City's efforts go into monitoring, when workforce development and small business capacity building are the key needs.
- Improved coordination among departments is desired, and improved narrative-building to show how the inclusion makes life better for real Milwaukeeans to create support across city staff and even with prime contractors.

- The revolving loan fund could be better utilized and focused on real needs of businesses as part of a coordinated capacity building effort.
- We need a system for improving our inclusion practices internally, and also for seeking out and incorporating external input, from contractors and others in the community.

External Stakeholder Groups: Areas for Improvement

- An SBE program that required 25% of the labor hours worked per contract by emerging businesses would be more effective than requiring 25% of contract dollars to go to these firms.
- Capacity building is a key. The City could require partnerships and provide more direct outreach to businesses.
- Need coordination between workforce development agencies. Work experience is needed. We often use a “place before you train” system.
- Do the RPP evaluation right at job fairs; these are the people who are willing and ready to work.
- RPP eligibility: using the entire city limits as eligible dilutes the effectiveness of the program for the people who really need it.
- We need a paid community consultant –an ombudsman – who represents the neediest workforce and reports back to the community.
- The program should be based on supporting business outcomes: project management skills, bonding and estimating, cash flow, scaling up.
- Different outreach tools are necessary to reach different audiences. For example, an OSBD branch office in Hispanic neighborhoods could be effective, as well as a presence in churches and grocery stores. Come to the community; don’t make them come to you.
- Involve small businesses directly in neighborhood strategic planning.
- There are opportunities to partner intentionally with the chambers and BIDS. The outreach has to be personal.
- Businesses do not understand the certification process, and they don’t understand what happens after they are certified. There is a need for education. We need to hear some success stories.

Small Business Focus Groups: Areas for Improvement

- OSBD should be better staffed to enable it to be a proactive advocate for small businesses.
- OSBD should be enabled to have actual influence over the selection process.
- OSBD should have a face; it is hard to know who to contact. They should be out working more with small businesses.
- Contracts below a certain amount should be available only to local small businesses.
- The bid process could provide an opportunity to explain why a firm is qualified to provide the service, not just lowest cost.

- For professional services, a call for pre-qualifications would be beneficial.
- Federal certification process is fairly easy and could provide a model.
- Some businesses are interested in business development efforts such as networking opportunities; training and webinars in how to bid, how to deliver contracts, how to work with RPP. These efforts should be bilingual (English and Spanish).
- An updated list of current and pending and upcoming contracts would be helpful, including a listing of awardees.
- Very small businesses have difficulty affording even the fees to submit a bid.

APPENDIX C: GLOSSARY

ACDBE	Airport Concessionaire Disadvantaged Business Enterprise
BCBP	Business Capacity Building Program
BEPD	Business Enterprises owned by People with Disabilities
CBDP	Community Business Development Partners Department
CSB	Cleveland Small Business/Certified Small Business
CUP	Contract Utilization Plan
DBE	Disadvantaged Business Enterprise
DCD	Department of City Development
DNS	Department of Neighborhood Services
DOA	Department of Administration
DOT	Department of Transportation
DPS	Department of Procurement Services
DPW	Department of Public Works
DRMC	Denver Revised Municipal Code
DSBO	Division of Small Business Opportunity
EBE	Emerging Business Enterprise
FBE	Female Business Enterprise
FTE	Full Time Employees(s)
FY	Fiscal Year
HACM	Housing Authority of the City of Milwaukee
HRD	Human Relations Department
HUD	Housing and Urban Development
KCMO	Kansas City Missouri
LPE	Local Producer Enterprises
MAWIB	Milwaukee Area Workforce Investment Board
MBE/WBE	Minority Business Enterprise/Women Business Enterprise
MFD	Milwaukee Fire Department
MKE	Milwaukee
MMSD	Milwaukee Metropolitan Sewer District
MO	Missouri
MPD	Milwaukee Police Department
MPL	Milwaukee Public Library
MPS	Milwaukee Public Schools
MSA	Metropolitan Statistical Area
MWSBE/MWDBE	Minority Women and Small Business Enterprise
NAICS	North American Industry Classification System
OED	Office of Economic Development
OEO	Office of Equal Opportunity
OSBD	Office of Small Business Development
PSS	Procurement Services Section
RACM	Redevelopment Authority of the City of Milwaukee
RFP	Request for Proposal
RPP	Residential Preference Program
SBA	Small Business Administration
SBE	Small Business Enterprise
SBEC	Small Business Enterprise Concessions
SLBE	Small Local Business Enterprise Program
SRP	Storefront Renovation Program
TIF	Tax Incremental Funds
TMP	The Target Market Program
UCP	Unified Certification Program
USDOT	United States Department of Transportation
WBE	Women Business Enterprises
WEDC	Wisconsin Economic Development Corporation
WSDEPS	Water Service Department Engineering Professional Service



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